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Supreme Court, U.S.  
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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1986

**KRAFT, INC.,**

*Petitioner,*

v.

**AmBRIT, INC.,**

*Respondent.*

**PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE ELEVENTH CIRCUIT**

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## QUESTIONS PRESENTED

1. Did the Court of Appeals err in adopting a standard for proving "likelihood of confusion" that impermissibly relaxes the plaintiff's burden of establishing infringement in trademark and trade dress litigation and that conflicts with prior decisions of this Court and with the standard applied by other circuits?

2. Did the Court of Appeals err by adopting a test that requires the cancellation of trademark registrations under the Lanham Act, on grounds of abandonment, where the trademark is in current and extensive commercial use?

## **PARTIES TO THE PROCEEDINGS**

Petitioner Kraft, Inc. was a petitioner in the Court of Appeals. On November 21, 1986, Kraft, Inc. merged into Dart & Kraft, Inc., which changed its name to Kraft, Inc. Respondent AmBrit, Inc., formerly known as the Isaly Company, Inc., was the respondent and cross-petitioner in the Court of Appeals. There are no other parties to this case.

Pursuant to Supreme Court Rule 28.1, Kraft's non-wholly owned subsidiaries and affiliates are:

- Butland Industries Limited (New Zealand)
- G. Soulie et Fils, S.A. (France)
- Sungold Dairies Proprietary Limited (Australia)
- Commerciale Osella S.p.A. (Italy)
- Invernizzi S.p.A. (Italy)
- S.p.A. Superpila (Italy)



## TABLE OF CONTENTS

	<u>PAGE</u>
QUESTIONS PRESENTED .....	i
PARTIES TO THE PROCEEDINGS .....	ii
TABLE OF CONTENTS .....	iii
TABLE OF AUTHORITIES .....	v
OPINIONS BELOW .....	1
JURISDICTION .....	1
STATUTE INVOLVED .....	2
STATEMENT OF THE CASE .....	3
REASONS FOR GRANTING THE WRIT .....	5
I. THE ELEVENTH CIRCUIT HAS IMPERMISSIBLY DILUTED THE STANDARD FOR FINDING "LIKELIHOOD OF CONFUSION" .....	7
A. The Eleventh Circuit's Analysis Of The "Defendant's Intent" Factor Is Inconsistent With The Decisions Of This Court And Other Circuits .....	8
B. The Eleventh Circuit's Interpretation Of The "Similarity Of Design" Factor Also Presents A Conflict .....	11
C. The Eleventh Circuit's Analysis of "Actual Confusion" Evidence Presents A Further Conflict Warranting Review By This Court .....	14

	<u>PAGE</u>
II. THE ELEVENTH CIRCUIT HAS ADOPTED A TEST FOR ABANDONMENT OF TRADEMARKS THAT WILL REQUIRE CANCELLATION OF TRADEMARKS WHICH ARE IN ACTIVE AND EXTEN- SIVE COMMERCIAL USE .....	17
A. The Eleventh Circuit's Test For Abandon- ment Of A Registered Trademark Imposes A Standard Of Intent To Resume Use Which Is Impossible To Meet .....	17
B. The Precedent Set By The Decision Below Could Result In Widespread Cancellation Of Trademark Registrations .....	19
CONCLUSION .....	21

# TABLE OF AUTHORITIES

## Cases

	<u>PAGE</u>
<i>ACA Products, Inc. v. Reuben H. Donnelley Corp.</i> , 212 U.S.P.Q. 419 (D. Conn. 1980) .....	13
<i>American Greetings Corp. v. Dan-Dee Imports Inc.</i> , 807 F.2d 1136 (3d Cir. 1986) .....	7, 12
<i>Beech-Nut Packing Co. v. P. Lorillard Co.</i> , 273 U.S. 629 (1927) .....	18
<i>Blanchard Importing &amp; Distributing Co., Inc. v. Societe E. Blanchard et Fils</i> , 169 U.S.P.Q. 615 (T.T.A.B. 1971) .....	18
<i>Clinton Detergent Co. v. Procter &amp; Gamble Co.</i> , 302 F.2d 745 (C.C.P.A. 1962) .....	16
<i>Compco Corp. v. Day-Brite Lighting, Inc.</i> , 376 U.S. 234 (1964) .....	10
<i>Conwood Corp. v. Loew's Theatres, Inc.</i> , 173 U.S.P.Q. 829 (T.T.A.B. 1972) .....	19
<i>CPG Products Corp. v. Pegasus Luggage, Inc.</i> , 776 F.2d 1007 (Fed. Cir. 1985) .....	7, 8
<i>DeCosta v. Columbia Broadcasting System, Inc.</i> , 520 F.2d 499 (1st Cir. 1975), <i>cert. denied</i> , 423 U.S. 1073 (1976) .....	16
<i>Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.</i> , 626 F.2d 193 (1st Cir. 1980) .....	9, 13
<i>Ford Motor Co. v. B &amp; H Supply, Inc.</i> , 646 F. Supp. 975 (D. Minn. 1986) .....	13
<i>Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.</i> , 281 F.2d 755 (2d Cir. 1960) .....	16
<i>Henri's Food Products Co., Inc. v. Kraft, Inc.</i> , 717 F.2d 352 (7th Cir. 1983) .....	10
<i>Howw Mfg., Inc. v. Formac, Inc.</i> , 213 U.S.P.Q. 793 (N.D. Ill. 1981) .....	12
<i>Inwood Laboratories, Inc. v. Ives Laboratories, Inc.</i> , 456 U.S. 844 (1982) .....	9

PAGE

<i>Keebler Co. v. Rovira Biscuit Corp.</i> , 624 F.2d 366 (1st Cir. 1980) .....	16
<i>Kellogg Co. v. Nat'l Biscuit Co.</i> , 305 U.S. 111 (1938) ..	10
<i>Kwik-Site Corp. v. Clear View Mfg. Co., Inc.</i> , 758 F.2d 167 (6th Cir. 1985) .....	7, 8
<i>Litton Systems, Inc. v. Whirlpool Corp.</i> , 728 F.2d 1423 (Fed. Cir. 1984) .....	7, 13
<i>McGraw-Edison Co. v. Walt Disney Productions</i> , 787 F.2d 1163 (7th Cir. 1986) .....	14, 16
<i>Mission Dry Corp. v. Seven-Up Co.</i> , 193 F.2d 201 (C.C.P.A. 1951) .....	18
<i>Norwich Pharmacal Co. v. Sterling Drug, Inc.</i> , 271 F.2d 569 (2d Cir. 1959), <i>cert. denied</i> , 362 U.S. 919 (1960).	10
<i>Nutri/System, Inc. v. Con-Stan Industries, Inc.</i> , 809 F.2d 601 (9th Cir. 1987) .....	14, 15
<i>Original Appalachian Artworks, Inc. v. Blue Box Factory (USA) Ltd.</i> , 577 F. Supp. 625 (S.D.N.Y. 1983) .	13
<i>Perfect Fit Industries, Inc. v. Acme Quilting Co., Inc.</i> , 618 F.2d 950 (2d Cir. 1980), <i>cert. denied</i> , 459 U.S. 832 (1982) .....	13
<i>Questor Corp. v. Wold Industries, Inc.</i> , 194 U.S.P.Q. 141 (D. Minn. 1976) .....	18
<i>S.C. Johnson &amp; Son, Inc. v. Carter-Wallace, Inc.</i> , 614 F. Supp. 1278 (S.D.N.Y. 1985) .....	12
<i>Scott Paper Co. v. Scott's Liquid Gold, Inc.</i> , 589 F.2d 1225 (3d Cir. 1978) .....	14, 15
<i>Sears, Roebuck &amp; Co. v. Stiffel Co.</i> , 376 U.S. 225 (1964)	10
<i>Speedry Products, Inc. v. Dri Mark Products, Inc.</i> , 271 F.2d 646 (2d Cir. 1959) .....	9
<i>Sunbeam Corp. v. Equity Industries Corp.</i> , 635 F. Supp. 625 (E.D. Va. 1986) .....	12
<i>Tisch Hotels, Inc. v. Americana Inn, Inc.</i> , 350 F.2d 609 (7th Cir. 1965) .....	16

	<u>PAGE</u>
<i>Truck Equipment Service Co. v. Fruehauf Corp.</i> , 536 F.2d 1210 (8th Cir.), <i>cert. denied</i> , 429 U.S. 861 (1976) .....	9
<i>Vibrant Sales, Inc. v. New Body Boutique, Inc.</i> , 652 F.2d 299 (2d Cir. 1981), <i>cert. denied</i> , 455 U.S. 909 (1982) .....	13

### Statutes and Regulations

Lanham Act, 15 U.S.C. §§ 1051 <i>et seq.</i> (1982 and Supp. II 1984) .....	<i>passim</i>
15 U.S.C. §§ 1051-1127 .....	2
15 U.S.C. § 1064 .....	2
15 U.S.C. § 1121 .....	4
15 U.S.C. § 1125 .....	2
15 U.S.C. § 1127 .....	2, 3, 17
28 U.S.C. § 1254(1) .....	1
28 U.S.C. § 1338 .....	4
28 U.S.C. § 1651 .....	1

### Miscellaneous

3 Callman, <i>Unfair Competition Trademarks and Monopolies</i> § 19:33 (4th Ed. 1983) .....	9
1 J.T. McCarthy, <i>Trademarks and Unfair Competition</i> § 8:6 (2d Ed. 1984) .....	13
Supreme Court Rule 28.1 .....	ii
United States Trademark Association, <i>Trademark Management</i> 26 (1982) .....	19



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**PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE ELEVENTH CIRCUIT**

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Petitioner, Kraft, Inc., respectfully requests that a writ of certiorari issue to review the judgment and decision of the Court of Appeals for the Eleventh Circuit entered on December 10, 1986.

**OPINIONS BELOW**

The opinion of the Court of Appeals is published at 805 F.2d 974 and is reprinted as Appendix A. The opinion of the District Court for the Middle District of Florida is published at 619 F. Supp. 983 and is reprinted as App. B. The judgment of the Court of Appeals is reprinted as App. C.

**JURISDICTION**

The judgment of the Court of Appeals was entered on December 10, 1986. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1) (1982) and 28 U.S.C. § 1651 (1982).

## STATUTE INVOLVED

The statute involved is the Lanham Act, 15 U.S.C. §§ 1051-1127 (1982 and Supp. II 1984).

Section 43(a) of the Lanham Act, which governs actions for trademark and trade dress infringement, provides in pertinent part:

(a) Any person who shall . . . use in connection with any goods or services, or any container or containers for goods, . . . any false description or representation, including words or other symbols tending falsely to describe or represent the same . . . shall be liable to a civil action by . . . any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. § 1125 (1982).

Sections 14 and 45, which concern the cancellation of federal trademark registrations under certain specified conditions, provide in pertinent part:

A petition to cancel a registration of a mark . . . may, . . . be filed by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905-

. . . (c) at any time if the registered mark . . . has been abandoned.

15 U.S.C. § 1064 (Supp. II 1984);

A mark shall be deemed to be "abandoned"-

(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred



from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

15 U.S.C. § 1127 (Supp. II 1984).

### STATEMENT OF THE CASE

This petition squarely presents two issues of major significance in trademark and unfair competition law, each of which merits plenary consideration by this Court. In the decision below, the Court of Appeals severely diluted the standard for finding likelihood of confusion—the key element in trademark and trade dress infringement litigation under the Lanham Act. In addition, the court adopted an inappropriate test that will permit widespread cancellation of trademarks registered under the Lanham Act.

Thus this petition *first* asks this Court to review the standard applied by the Eleventh Circuit for finding likelihood of confusion and to articulate the standard that federal courts should apply to determine consistently the existence of this element in cases under the Lanham Act.

*Second*, the petition requests this Court to review the test applied below in cancelling Kraft's trademark registration on grounds of alleged abandonment and to set forth a test for the cancellation of trademark registrations which prevents the unwarranted forfeiture of current commercial property rights.

*Factual Background.* Kraft, Inc. formed its Sealtest Foods Division (now the Kraft Dairy Group) in 1958 to market ice cream, among other products. In 1928, Kraft's predecessor, Southern Dairies, began selling a one ounce, chocolate-covered stickless ice cream bar under the trademark POLAR B'AR. POLAR B'AR was federally registered as a trademark in 1929. Sales of commercial quantities of the ice cream bars under the POLAR B'AR mark were interrupted in approximately 1932 but resumed in 1980. Smaller scale sales of the ice cream bars occurred under the POLAR B'AR

mark and Kraft renewed the trademark registration in 1949 and 1969.

AmBrit, previously known as Isaly, began as a family owned dairy business. Isaly manufactured and sold five ounce chocolate-covered ice cream bars known by the name of KLONDIKE. Prior to May, 1978 the KLONDIKE bar was sold only in a tri-state area in the eastern United States. In 1979, Kraft began distributing AmBrit's KLONDIKE bar in Florida. Later that same year, Kraft began to develop its own five ounce, chocolate-covered ice cream bar, which was introduced the following summer. In early 1982, the distributorship relationship was terminated. AmBrit filed suit later that year pursuant to 15 U.S.C. § 1121 of the Lanham Act and 28 U.S.C. § 1338 alleging infringement of its trademarks and trade dress.

*Proceedings Below.* After a full-scale trial in which AmBrit was given an extensive opportunity to establish infringement, the District Court held for AmBrit on this issue. With respect to the determination of actual confusion, both sides presented statistical evidence to which the court did not give controlling weight. In addition, each party presented anecdotal evidence, but the court discounted the testimony of Kraft's witnesses. The court thus based its finding of confusion on the testimony of only four people out of the millions of chocolate-covered ice cream bar purchasers, despite Kraft's objections to the biased and unconfused nature of such witnesses. The District Court also found AmBrit's trade dress to be relatively strong and that the labels were similar in design. App. B at 24. The District Court therefore enjoined Kraft from certain uses of polar bears and the royal blue color on its label. App. B at 30-31. In addition, on a separate issue raised by AmBrit, the District Court held that Kraft had not abandoned its rights in the POLAR B'AR registration despite its interruption in the use of the mark. App. B at 29-30.

Both parties appealed. A panel of the Court of Appeals affirmed the finding of trade dress infringement, although

recognizing that the infringement element of the case was close. App. A at 31. Specifically, the Court of Appeals found that AmBrit's trade dress was strong enough to merit only moderate protection. Nevertheless, based on the legal standards described below, the court declined to set aside the District Court's ultimate conclusion that Kraft's product had infringed AmBrit's trade dress. App. A at 31. However, the Court of Appeals did find that a portion of the injunction was too broad; it remanded that matter to the District Court with instructions to tailor a more narrow order. App. A at 39.

The appeals court also considered AmBrit's request for cancellation of Kraft's registration for the trademark "POLAR B'AR." Without remanding for further proceedings on the issue, the Court of Appeals cancelled the registration. App. A at 45. In arriving at its decision, the panel determined Kraft's intent to abandon the mark as of a time prior to Kraft's resumption of use of the mark. This time was also prior to the time of AmBrit's request for cancellation. App. A at 44. By choosing this prior time as the relevant point for decision-making, the Court of Appeals refused to consider critical evidence of Kraft's intent—its resumed use of the mark.

### REASONS FOR GRANTING THE WRIT

In recent years, intellectual property rights, and in particular, rights regulated by the Lanham Act, have become increasingly important. Thus, certainty in resolving disputes over these rights is critical to the promotion of competition in the marketplace and the protection of the public against deception. This petition therefore presents two issues which merit review by this Court. Both issues meet the traditional standards for exercise of this Court's jurisdiction and both have far-reaching implications.

First, this petition asks the Court to resolve a series of conflicts among the Courts of Appeals in applying three

factors of the "likelihood of confusion" test used to establish infringement in federal trademark and unfair competition law litigation. This Court has never articulated precisely what elements should control determinations of the actual confusion, similarity of design and intent factors of this test. In the absence of guidance from this Court, the lower courts have adopted conflicting standards, and the Eleventh Circuit adopted a particularly extreme position in the case below. By ignoring Supreme Court precedent and basic principles of unfair competition law, the court below diluted the three factors—actual confusion, similarity of design and defendant's intent—to the extent that almost anyone could be found to commit infringement under the Lanham Act.

This Court's decisions in related areas of unfair competition law have established that an unpatented article may be freely copied. The decision by the Eleventh Circuit undermines this principle, as well as conflicts with the recognition by other circuits that functional features are free to be copied. Thus, the guidance of this Court is required to formulate a test for determining likelihood of confusion which adheres to precedent of this Court as well as the policy of promoting legitimate competition.

The second issue presented by this petition asks this Court to resolve the test for cancelling a federal trademark registration on grounds of alleged abandonment. Incredibly, the court below found that the current commercial use of the mark was not relevant evidence of an intent to resume use of the mark. In essence, the Eleventh Circuit has adopted a test which examines only events prior to the request of cancellation to create a presumption of abandonment and to measure the owner's intent, thereby rendering the presumption irrebuttable. Plenary review of the decision below is required lest the decision below cause the widespread cancellation of trademark registrations and the disruption of trademark rights.

The trademark and unfair competition law issues here arise in a case of great importance to Kraft. Even more

importantly, the issues critically affect both businesses and consumers. Businesses are influenced by the decision in their development and marketing of products. Consumers feel the effect of the decision reflected in the marketplace in the price and selection of comparable goods which are available to the public. These consequences of the decision below present still another reason for this Court to grant certiorari.

# I.

## THE ELEVENTH CIRCUIT HAS IMPERMISSIBLY DILUTED THE STANDARD FOR FINDING "LIKELIHOOD OF CONFUSION."

Section 43(a) of the Lanham Act requires a plaintiff to prove three elements to prevail in an action for trade dress infringement: (1) that the plaintiff's trade dress is inherently distinctive or has acquired secondary meaning; (2) that the plaintiff's trade dress is primarily non-functional; and (3) that the defendant's trade dress is "confusingly similar," or more precisely, that a "likelihood of confusion" exists between the defendant's and the plaintiff's trade dress.<sup>1</sup>

The first two of these elements are directed toward the protectibility of the plaintiff's trade dress; the third is directed toward whether the defendant has actually infringed the plaintiff's rights and should be barred from and held liable for using the trade dress it has developed. Accordingly, proof of this third element is critical in all infringement litigation. This petition concerns the appropriate legal standards for proving that key element.

Lower federal courts have held that proof of this "likelihood of confusion" element depends upon the evaluation and balancing of several individual factors. Of these, four of the

<sup>1</sup> *Litton Systems, Inc. v. Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984); *American Greetings Corp. v. Dan-Dee Imports Inc.*, 807 F.2d 1136 (3d Cir. 1986); *CPG Products Corp. v. Pegasus Luggage, Inc.*, 776 F.2d 1007 (Fed. Cir. 1985); *Kwik-Site Corp. v. Clear View Mfg. Co., Inc.*, 758 F.2d 167, 178 (6th Cir. 1985).

most determinative factors in this and many other cases are the "strength of the plaintiff's own trade dress," the "similarity of design" between the plaintiff's and defendant's trade dresses, the "defendant's intent," and evidence of "actual confusion."<sup>2</sup> The Court of Appeals here modified the District Court's holding on the first of these factors, finding that AmBrit's trade dress was only "moderate" in strength, and merited less protection than that afforded by the District Court. App. A at 31.<sup>3</sup> Nevertheless, the court still upheld the District Court's holding on "likelihood of confusion" by construing the remaining three factors in a manner that conflicts with decisions in other circuits and unreasonably dilutes the standard for proving this key element.

**A. The Eleventh Circuit's Analysis Of The "Defendant's Intent" Factor Is Inconsistent With The Decisions Of This Court And Other Circuits.**

The Court of Appeals placed primary emphasis in finding "likelihood of confusion" here on Kraft's intent in adopting Kraft's POLAR B'AR trade dress. In making this determination, the court relied heavily on the fact that Kraft had copied *functional* features of AmBrit's packaging:<sup>4</sup>

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<sup>2</sup> See App. A at 16-17. *Accord*, *CPG Products Corp.*, 776 F.2d at 1012; *Kwik-Site Corp.*, 758 F.2d at 178.

<sup>3</sup> The remaining factors considered by the courts below in this case, similarity of the products, retail outlets, purchasers and advertising media, are not challenged by Kraft as having been diluted.

<sup>4</sup> These functional features are the six-pack tray, the clear plastic overwrap, the foil wrapper, and the deadfold wrap. As the District Court found, "The [six-pack] tray is clearly superior protection to merely wrapping six bars in plastic . . . The clear plastic overwrap . . . permits the consumer to view the product . . . The foil wrapper protects the ice cream bar and also provides a means of holding the ice cream while it is eaten . . . The deadfold wrap is cheaper . . ." App. B at 19.



Although Kraft was free to copy the Klondike product and the functional packaging features of that product, the finder of fact may infer from evidence of such actions an intent to derive benefit from [AmBrit's] goodwill.

App. A at 27.<sup>5</sup> By so construing the "defendant's intent" factor, the court has adopted a standard that is inconsistent with the decisions of this Court, that conflicts with the standard applied by other circuits, and that distorts the actual relevance of this factor in proving infringement.

First, the refusal by the court below to differentiate between a defendant's intent to copy functional features, as opposed to non-functional features, violates this Court's recognition that "[r]eproduction of a *functional* attribute is legitimate competitive activity."<sup>6</sup> As this Court established almost fifty years ago, "[s]haring in the goodwill of an article unprotected by patent or trademark is the exercise of a right

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<sup>5</sup>The Court of Appeals emphasized that when Kraft retained two firms to design the packaging for its product, Kraft "requested these firms to copy the functional features of the Klondike packaging." App. A at 25-26.

<sup>6</sup>*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 863 (1982) (White, J., concurring); see also *Speedry Products, Inc. v. Dri Mark Products, Inc.*, 271 F.2d 646, 648 (2d Cir. 1959) ("The mere copying of functional features absent some fraudulent factor, is not unlawful."); *Fisher Stoves, Inc. v. All Nighter Stove Works Inc.*, 626 F.2d 193, 195 (1st Cir. 1980); *Truck Equipment Service Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1218 (8th Cir.), cert. denied, 429 U.S. 861 (1976); 3 Callman, *Unfair Competition Trademarks and Monopolies* § 19:33 (4th Ed. 1983) ("One may freely imitate any or all of the functional features of an unpatented article. Accordingly, protection against imitation should be properly confined to nonfunctional features. Even if purely functional elements are slavishly copied, the resemblance will not support an action for unfair competition, and the first user cannot claim secondary meaning protection.").

possessed by all—and in the free exercise of which the consuming public is deeply interested.” *Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, 122 (1938).<sup>7</sup> Functional features are not protected by trademark or unfair competition law in order to promote competition and benefit the marketplace with additional items at lower prices.

According to these decisions, unpatented, uncopyrighted, functional features are available for copying and use by all. The decision of the court below, allowing the mere copying of a functional feature to infer wrongful intent, results in a monopoly on functional features. Legitimate competitive activity is first chilled and then prevented altogether.

Second, the Eleventh Circuit’s reliance on a defendant’s intent to copy functional features also conflicts with the recognition by other Courts of Appeals of a difference between a legitimate attempt to compete and an attempt to deceive or confuse the public. *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569, 571-72 (2d Cir. 1959), *cert. denied*, 362 U.S. 919 (1960) (There is a difference between a deliberate attempt to deceive and a deliberate attempt to compete. Absent confusion, imitation of certain successful features in another’s product is not unlawful and to that extent a “free ride” is permitted.); *see Henri’s Food Products Co., Inc. v. Kraft, Inc.*, 717 F.2d 352 (7th Cir. 1983) (Seventh Circuit upholds District Court finding of intent to compete but no intent to mislead the public despite awareness of plaintiff’s mark, and request by defendant that a product be marketed next to the plaintiff’s leading brand).

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<sup>7</sup>Twenty-six years later in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), this Court affirmed the principle that when an article is unprotected by a patent or a copyright, state law may not forbid others to copy it. To allow otherwise would interfere with the policy of the constitution of allowing free access to copy what the federal patent and copyright laws leave in the public domain.



It is obvious that the decision below makes an already imprecise indicator of confusion even less accurate by including as relevant evidence the imitation of features which are free to be imitated. Basing a finding of likelihood of confusion on such evidence will allow infringement to be found in almost every case.

Thus, plenary review by this Court is necessary to resolve the inconsistency between the Eleventh Circuit's standard and the decisions of this Court and other circuits, and to assure that the "likelihood of confusion" element required for proving infringement is not diluted to the point of elimination by an overbroad interpretation of the defendant's intent factor.

**B. The Eleventh Circuit's Interpretation of the "Similarity of Design" Factor Also Presents a Conflict.**

The Eleventh Circuit's interpretation and application of the "similarity of design" factor in finding a likelihood of confusion also presents a conflict with the decisions of other circuits and the policies of trademark and unfair competition law. As described above, courts agree that an evaluation of the similarities between a plaintiff's and a defendant's design is relevant to determine whether a sufficient "likelihood of confusion" exists to find infringement. *See* p. 8 *supra*. Where courts disagree is over the necessity to exclude functional features of the product and trade dress in making this evaluation.

The Eleventh Circuit has adopted and applied in this case an approach that *permits* a comparison of similarities with respect to functional features. Accordingly, the court held here that the "similarity of design test is an inquiry into the overall similarity of the defendant's trade dress with that of the plaintiff." App. A at 21-22. In applying this test, the court below then relied on the fact that the wrappers for the products here each are "the same size," used a "textured silver foil background," and show "the product name in

large block letters." App. A at 23. The court also explained that "the manner in which the products are presented to the consumers, in the overwrapped six-pack trays, amplifies the similarities of the trade dress." App. A at 23 n.48. All of these similarities involve features that are largely or entirely functional in nature.<sup>8</sup>

The Eleventh Circuit's approach is followed by courts in the Third, Fourth and Seventh Circuits. See *Sunbeam Corp. v. Equity Industries Corp.*, 635 F. Supp. 625, 631, 635 (E.D. Va. 1986) (court determines whether the items in dispute are similar by evaluating the similarity between the overall appearance of the two products rather than the similarity of particular features; another step is analyzing whether the appropriated product feature (its overall appearance) is "primarily" non-functional); *Howw Mfg., Inc. v. Formac, Inc.*, 213 U.S.P.Q. 793 (N.D. Ill. 1981); *American Greetings Corp. v. Dan-Dee Imports Inc.*, 807 F.2d 1136 (3d Cir. 1986) (court protects overall combination of protectible and unprotectible features from likely confusion with a product bearing an imitating combination).

In contrast, courts in the First, Second and Eighth Circuits require a distinction between functional and non-functional features when making the similarity of design determination, in keeping with the rule that competitors are free to copy functional features. E.g., *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 614 F. Supp. 1278, 1316-17 (S.D.N.Y. 1985) (court determined whether the "complained of similarity in the appearance of the parties' trade dress is

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<sup>8</sup> Kraft argued below that various dissimilarities in the non-functional features of the trade dresses warranted a finding that the designs were not sufficiently similar to create a likelihood of confusion. The Eleventh Circuit concluded that the dissimilarities were outweighed by the "context of the trade dress as a whole," including the functional features. App. A at 22.

attributable to primarily non-functional features" and found that "plaintiff has similarly failed to show that the alleged likelihood of confusion is caused by *other than functional features.*" (emphasis added) (following *Litton Systems, Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1444-45 (Fed. Cir. 1984); *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299, 304-05 (2d Cir. 1981), *cert. denied*, 455 U.S. 909 (1982); and *Perfect Fit Industries, Inc. v. Acme Quilting Co., Inc.*, 618 F.2d 950, 955 (2d Cir. 1980), *cert. denied*, 459 U.S. 832 (1982)); see *Original Appalachian Artworks, Inc. v. Blue Box Factory (USA) Ltd.*, 577 F. Supp. 625, 631 (S.D.N.Y. 1983) ("[T]he similarities in trade dress between the parties' products relate to features that Appalachian cannot claim as its own. The plastic front window on the boxes in which the dolls are sold is a commonly used, functional device for displaying dolls."); *Ford Motor Co. v. B & H Supply, Inc.*, 646 F. Supp. 975, 996 (D. Minn. 1986) (court compared the similarity between Ford's distinctive trade dress and distinctive numbering system, found to be non-functional, to the packaging and numbering system used by the defendants); *ACA Products, Inc. v. Reuben H. Donnelley Corp.*, 212 U.S.P.Q. 419 (D. Conn. 1980) (court compared the designs and found that insofar as they were similar, the design had followed function and where not dictated by function, the designs differed); see also *Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*, 626 F.2d 193, 195 (1st Cir. 1980) (court upheld the finding of the court below that the elements of plaintiff's design configuration upon which it relied to show similarity were functional in nature and could be copied with impunity); 1 J.T. McCarthy, *Trademarks and Unfair Competition* § 8:6 (2d Ed. 1984) (use of such a common type of functional packaging [cellophane] cannot give rise to trademark suit or a suit for unfair competition. "A plaintiff must satisfy the likelihood of confusion test by the use of some feature of his own, not something already in common use.").

Accordingly, the decision by the court below to include functional features in determining the similarity of design conflicts with the precedent followed by other circuits and conflicts with this Court's decisions regarding the availability of functional features to all persons. Moreover, the effect of the Eleventh Circuit's approach is the dilution of a second critical factor in finding likelihood of confusion, thereby encouraging, to the detriment of legitimate competition, a finding of infringement where no likelihood of confusion exists.

**C. The Eleventh Circuit's Analysis of "Actual Confusion" Evidence Presents A Further Conflict Warranting Review By This Court.**

The third critical factor in the Eleventh Circuit's evaluation of the likelihood of confusion—evidence regarding actual confusion<sup>9</sup>—was also interpreted and applied here in a manner that conflicts with the decisions of other circuits. The Eleventh Circuit permitted the factor to be established by inconclusive and isolated evidence. In so doing, the Eleventh Circuit's approach severely undermines the probative value of this factor and encourages a finding of infringement where there actually is little or no likelihood of customers being confused.

In the proceedings below, both sides presented statistical evidence to which the District Court did not give controlling weight. In addition, each party presented anecdotal evidence, AmBrit of confusion and Kraft of non-confusion. The District Court discounted the testimony of Kraft's witnesses. Thus, the court essentially rested its finding of an indication

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<sup>9</sup>The existence of actual confusion is one factor courts traditionally use to determine the existence of likelihood of confusion. See *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978); *McGraw-Edison Co. v. Walt Disney Productions*, 787 F.2d 1163 (7th Cir. 1986); *Nutri/System, Inc. v. Con-Stan Industries, Inc.*, 809 F.2d 601 (9th Cir. 1987).

of actual confusion on the testimony of only four witnesses, despite Kraft's objections.<sup>10</sup> On appeal, the Eleventh Circuit found that "[I]t takes very little evidence to establish the existence of the actual confusion factor", App. A at 29, and upheld the lower court decision on these four disputed instances of actual confusion. The Eleventh Circuit's approval of this evidence as establishing actual confusion thus conflicts with the decisions of at least three other circuits.

First, the court below refused to take into account that the reported instances of actual confusion were very small given the *millions* of sales which occurred.<sup>11</sup> App. A at 29. Contrary to the Eleventh Circuit here, other courts hold that it is necessary to compare the instances of actual confusion with the volume of sales. See *Nutri/System, Inc. v. Con-Stan Industries, Inc.*, 809 F.2d 601 (9th Cir. 1987) (when considering the high volume of business of both parties, the misdirection of several letters and checks proved insignificant); *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231 (3d Cir.

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<sup>10</sup> Kraft argued below that these witnesses were insufficient to establish evidence of actual confusion: one witness explained that he was not confused when he paid for the POLAR B'AR product (T 671, 675-76). He decided to try it because "SEALTEST makes pretty good ice cream" (T 675). Two of the witnesses were admittedly shopping carelessly and in such a hurry that they were not paying attention (T 624-25, 627-28; PDX 19 pp. 17-18, 27). One witness was an old family friend of one of Isaly's key salesmen (PDX 20 p. 27) and was not sure what a KLONDIKE bar looked like before she went to the store (PDX 20 pp. 5-6). In short, the testimony of such careless or biased witnesses is not reliable evidence of actual confusion.

<sup>11</sup> From the sales of POLAR B'AR in 1980 to early 1984, 50 million KLONDIKE six-packs in 33 states (T 176; DX 382 p. 03263) and over 35 million POLAR B'AR six-packs were sold (T 1389-90, 1568) in an area of overlap primarily in the Northeast, Middle Atlantic, and Southeast (DX 382 p. 03347).

1978) (nineteen misdirected letters and supporting depositions of some authors during four year period where infringer sold 50 million cans of its products is insufficient to determine that injunctive relief is appropriate); *Clinton Detergent Co. v. Procter & Gamble Co.*, 302 F.2d 745 (C.C.P.A. 1962) (weakness of two consumer letters as evidence begins with the failure to show the total number of letters from customers from whom the letters were selected; such isolated incidents are of little weight).<sup>12</sup>

Second, unlike the Eleventh Circuit's approach, other courts have indicated that where plaintiff, as here, delays in bringing suit, evidence of a higher instance of actual confusion is necessary. *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 377-78 (1st Cir. 1980), citing *DeCosta v. Columbia Broadcasting System, Inc.*, 520 F.2d 499 (1st Cir. 1975), *cert. denied*, 423 U.S. 1073 (1976). AmBrit here delayed filing suit for two years. Given such a delay, the testimony of four isolated purchasers is weak evidence of actual confusion.

With each of these actions, the court below diluted a third element of the finding of likelihood of confusion in conflict with decisions of other Courts of Appeals. As previously discussed, the court had also severely diluted the factors of "intent" and the "similarity of design." As the court below acknowledged, the finding of infringement here was close. If

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<sup>12</sup> Even in those cases which stated that only a little evidence is needed to prove actual confusion, the evidence was far more extensive and significant than in the case at bar. See *McGraw-Edison Co.*, 787 F.2d at 1172 (confusion of 35% of survey respondents established confusion); *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 281 F.2d 755, 761 (2d Cir. 1960) (in context, twenty-three instances of misdirected responses to a television commercial, combined with mistaken invoices and testimony of retailers established actual confusion); *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 612 (7th Cir. 1965) (several instances of customer confusion were reported and money paid to the erroneous party).



the three factors—or any one of them—had been applied correctly, the outcome may have been different. Thus, this issue presents a conflict of major importance that warrants review by this Court.

## II.

### **THE ELEVENTH CIRCUIT HAS ADOPTED A TEST FOR ABANDONMENT OF TRADEMARKS THAT WILL REQUIRE CANCELLATION OF TRADEMARKS WHICH ARE IN ACTIVE AND EXTENSIVE COMMERCIAL USE.**

A second and independent ground for granting certiorari is the Eleventh Circuit's adoption of a test for abandonment of a trademark which results in the cancellation of a trademark registration despite extensive commercial use of the mark at the time of cancellation. Because of its potentially widespread detrimental effect on trademark rights, the decision of the court below merits review by this Court.

#### **A. The Eleventh Circuit's Test For Abandonment Of A Registered Trademark Imposes A Standard Of Intent To Resume Use Which Is Impossible To Meet.**

In reversing the District Court and cancelling Kraft's trademark registration for the mark "POLAR B'AR", the court below adopted an extreme and inappropriate test. In particular, the Eleventh Circuit focused its attention on a date prior to Kraft's resumed commercial use of the mark and prior to AmBrit's request of cancellation. At the outset, the court below found that "Kraft's nonuse establishes a prima facie case of abandonment, thereby placing the burden on Kraft to establish its intent to resume use." App. A at 43.<sup>13</sup> However, the Eleventh Circuit then adopted a test which prevented rebutting this presumption. First, the court

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<sup>13</sup> 15 U.S.C. § 1127 (Supp. II 1984) states that "Nonuse for two consecutive years shall be prima facie abandonment."

below required Kraft to prove its intent to resume use as of a date *prior* to its resumption of use of the POLAR B'AR mark, thus rendering Kraft's resumed commercial use irrelevant. Second, the court below refused to consider Kraft's renewals of the registration, and the uses supporting the renewals, as evidence of intent to resume use. Therefore, as construed by the court below, the presumption of abandonment became irrebuttable.<sup>14</sup>

The Eleventh Circuit's determination sharply conflicts with established precedent that intent relating to abandonment may be inferred from the registrant's acts. Indeed, if nonuse evidences an intent not to resume use of a mark, *a fortiori* use must be evidence to the contrary. See *Questor Corp. v. Wold Industries, Inc.*, 194 U.S.P.Q. 141, 145 (D. Minn. 1976) ("Any inference of an intention to abandon these rights is negated by the Williams' subsequent use of the mark."); *Blanchard Importing & Distributing Co., Inc. v. Societe E. Blanchard et Fils*, 169 U.S.P.Q. 615, 618 (T.T.A.B. 1971) (discontinuance at one time cannot establish abandonment in the absence of any intent to do so, especially where the mark has been in continuous use since the date of temporary discontinuance). See also *Beech-Nut Packing Co. v. P. Lorillard Co.*, 273 U.S. 629, 632 (1927) (the fact that the goodwill once associated with the trademark has vanished does not end at once the preferential right of the proprietor to try it again upon goods of the same class with improvements that renew the proprietor's hopes).

Neither of the cases cited by the court below supports the extreme test adopted by the Eleventh Circuit. Indeed, neither of the cases is factually similar to the case here. Abandonment was found below *only* due to a period of nonuse by Kraft where Kraft's later use of the mark was for

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<sup>14</sup> Contrary to the Eleventh Circuit's decision, the mark was never placed on a list of unused trademarks. By reversing the District Court and not remanding, the sweeping test adopted by the Eleventh Circuit made resolution of this finer factual question irrelevant.



the same product. *Mission Dry Corp. v. Seven-Up Co.*, 193 F.2d 201 (C.C.P.A. 1951), involved an express abandonment on the part of the owner of the mark. *Conwood Corp. v. Loew's Theatres, Inc.*, 173 U.S.P.Q. 829 (T.T.A.B. 1972), concerned a manufacturer who had resumed use of the mark, but in connection with a different product. Thus, these cases do not support the holding of the court below. Accordingly, Kraft submits that its extensive usage of the POLAR B'AR mark as of the date the cancellation was sought should be relevant evidence of Kraft's intent to resume use and should be considered to rebut the presumption of abandonment relied upon below.

**B. The Precedent Set By The Decision Below Could Result In Widespread Cancellation Of Trademark Registrations.**

The inappropriate test for cancellation adopted by the court below will impact dramatically all United States' trademark registrants, of which there are approximately 600,000.<sup>15</sup> The significant benefits which could be lost under the Eleventh Circuit's decision include: (1) notice to the world of a claim of ownership; (2) creation of a presumption of ownership and the exclusive right to use; (3) conclusive evidence, in certain cases, of the exclusive right of use; and (4) a basis for obtaining registrations in foreign countries. United States Trademark Association, *Trademark Management* 26 (1982). The notice of a claim of ownership is especially important because it acts to preempt other persons from using the mark even in geographic locations where the owner is not currently using the mark. In addition to these rights, the federal registration makes it much easier for others to search and learn of the uses of certain marks and save themselves from the adoption of an infringing mark and possible litigation.

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<sup>15</sup>This is according to the most recent estimate, approximately six months old, provided by the Public Affairs Division of the United States Patent and Trademark Office, of the number of active registrations in the United States.

The decision of the Eleventh Circuit creates a risk that any suspension of use for two years or more could render these registrations invalid and cause a forfeiture of these valuable trademark rights. The uncertainty created by such a test and its repercussions for trademark owners could affect businesses dramatically. Due to the important role which trademark rights play in product planning, development and marketing, the need for clarification is compelling.

Furthermore, the holding of the Eleventh Circuit will cause cancellation efforts in trademark litigation to increase, thereby adding expense to already costly and complex litigation. In addition, an increased number of trademark cancellations will result despite the expense and time which went into acquiring the trademark rights and despite the present commercial value of the marks. Moreover, there will be fewer owners with claims to the benefits of federal registration. Such owners are threatened with the risk that another user will adopt a confusingly similar mark in a geographic location where the owner is not using the mark. Deprived of the benefits of federal registration, the owner will have a significantly more difficult, if not impossible, task in proving its rights to the use of the mark in the other geographic area. In addition, both the owner and infringer are faced with the expense of complex litigation to settle an issue which could have been avoided altogether.

Accordingly, plenary consideration by this Court is necessary to establish the proper test for cancellation of registrations of marks in commercial use and to avoid an adverse impact on trademark rights.

# CONCLUSION

For the foregoing reasons, a writ of certiorari should issue to review the judgment and opinion of the Court of Appeals for the Eleventh Circuit.

Respectfully submitted,

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March 10, 1987



## **APPENDIX A**

### **OPINION OF THE COURT OF APPEALS**



OPINION OF THE COURT OF APPEALS



AMBRIT, INC.,  
f/k/a the Isaly Company, Inc.,  
Plaintiff-Appellee,  
Cross-Appellant,

v.

KRAFT, INC.,  
Defendant-Appellant,  
Cross-Appellee.

No. 85-3609.

United States Court of Appeals,  
Eleventh Circuit.

Dec. 10, 1986.

Ice cream bar manufacturer brought action against competitor alleging, inter alia, trademark and trade dress infringements. The United States District Court for the Middle District of Florida, No. 82-517-CIV-T-10, Wm. Terrell Hodges, Chief Judge, 619 F.Supp. 983, held that competitor's ice cream bar wrapper infringed trade dress and trademark of manufacturer, and appeal was taken. The Court of Appeals, Wisdom, Senior Circuit Judge, sitting by designation, held that: (1) competitor infringed trade dress and trademark of manufacturer; (2) manufacturer's claim was not barred by doctrine of laches; (3) injunction prohibiting competitor from featuring color royal blue on ice cream bar wrapper was overly broad; and (4) competitor abandoned trademark.

Affirmed in part, reversed in part and remanded.

**1. Trade Regulation Ⓒ=413**

To prevail on trade dress infringement claim, plaintiff must prove its trade dress is inherently distinctive or has acquired secondary meaning, its trade dress is primarily nonfunctional, and defendant's trade dress is confusingly similar. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

**2. Trade Regulation Ⓒ=414**

Combination of ice cream bar's size, silver, blue and white wrapper, pebbled texture of foil, polar bear and sunburst images and their arrangement on wrapper, as well as style of printing, created distinct visual impression, for purposes of proving trade dress infringement, absent evidence of extensive and similar use of such elements by other ice cream bar sellers. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

**3. Trade Regulation Ⓒ=413**

Trade dress is protectible under statute imposing liability for use of false description or representation if, taken as a whole, it is primarily nonfunctional. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

**4. Trade Regulation Ⓒ=414**

Ice cream bar manufacturer was precluded from using foil wrapper with overall appearance that was confusingly similar to wrapper used by competitor where graphic design of competitor's foil wrapper was primarily nonfunctional. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

**5. Trade Regulation Ⓒ=407**

In determining whether likelihood of confusion exists, in trade dress infringement action, fact finder evaluates number of elements including: strength of trade dress, similarity of design, similarity of product, similarity of retail outlets and purchasers, similarity of advertising media used, defendant's intent, and actual confusion, though weight to be



accorded each factor varies with circumstances of each case. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

#### 6. Trade Regulation Ⓒ=589

Finding of likelihood of confusion, for purposes of determining trade dress infringement by competitor of ice cream bar manufacturer, was not clearly erroneous, even if trade dress only warranted moderate protection, where labels of trade dress for ice cream bars were similar in design, both parties offered identical products in same retail outlets to same purchasers for same use, both advertised on television and in newspapers, defendant intended to emulate if not infringe on manufacturer's trade dress, and there was some indication of actual confusion. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

#### 7. Equity Ⓒ=67

To establish laches, defendant must demonstrate delay in asserting right or claim, that delay was not excusable, and that there was undue prejudice to party against whom claim was asserted.

#### 8. Trade Regulation Ⓒ=448

Ice cream bar manufacturer was not precluded from bringing trade dress infringement suit against competitor by doctrine of laches where delay in filing suit was less than two years after manufacturer became aware of alleged infringement, delay was due to parties' economic relationship, and competitor was not prejudiced by delay.

#### 9. Trade Regulation Ⓒ=647

Injunction prohibiting manufacturer of ice cream novelties, which was found to have committed trade dress and trademark infringements, from using polar bear image on such novelties was not abuse of discretion, though competitor had no right to exclusive use of polar bear in connection with sale of ice cream novelties, where scope of injunction was limited to particular infringing products.

## 10. Trade Regulation ¶647

Injunction prohibiting ice cream bar manufacturer, which was found to have committed trade dress and trademark infringements, from featuring color royal blue on textured foil ice cream bar wrappers, was overly broad absent evidence color royal blue served origin-indicating function in connection with sale of ice cream products.

## 11. Trade Regulation ¶71

Manufacturer abandoned trademark "Polar B'ar," though mark, which had been acquired in 1929, had been periodically renewed and was currently being used to market manufacturer's new ice cream novelty, where manufacturer had not used mark from 1932 to 1980; current use did not retroactively cure past abandonment.

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Robert M. Kunstadt, Michael C. Stuart, Barry D. Rein, New York City, for plaintiff-appellee, cross-appellant.

Appeals from the United States District Court for the Middle District of Florida.

Before CLARK, Circuit Judge, HENDERSON,\* and WISDOM,\*\* Senior Circuit Judges.

WISDOM, Senior Circuit Judge:

This appeal presents a variety of questions involving trade dress and trademark rights. The parties are competitors in the ice cream novelty market. The principal question in this

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\*See Rule 3(b), Rules of the U.S. Court of Appeals for the Eleventh Circuit.

\*\* Honorable John Minor Wisdom, Senior U.S. Circuit Judge for the Fifth Circuit, sitting by designation.

controversy is whether the trade dress of Kraft's Polar B'ar infringes the trade dress of Isaly's Klondike bar. The district court answered "Yes" to this question. 619 F.Supp. 983. We affirm, holding that the district court's findings were not clearly erroneous and that the court's conclusions of law were correct.

## FACTS

The plaintiff in this action, the Isaly Company, Inc., ("Isaly"),<sup>1</sup> is a Delaware corporation with its principal place of business in Clearwater, Florida. The defendant, Kraft, Inc. ("Kraft"), is a Delaware corporation with its principal place of business in Glenview, Illinois. The parties are competitors in the stickless, five ounce, square, chocolate-covered ice cream bar market. Isaly sells its bar under the trademark "Klondike", and Kraft sells it bar under the trademark "Polar B'ar". The crux of the controversy concerns the packaging of those two products.

Isaly began in the last century as a family-owned dairy business operating in Eastern Ohio and Western Pennsylvania. In 1928 Isaly started making and selling five ounce, chocolate-covered, stickless ice cream bars under the name "Klondike". Isaly now sells three versions of the Klondike bar: plain, crispy, and chocolate/chocolate. The plain Klondike bar has been wrapped in pebbled foil featuring the colors silver, blue, and white since the 1940's. Since at least 1956 the wrapper has featured a 3 × 3 inch panel of silver, white, and blue, the words "Isaly's" and "Klondike", and the figure of a polar bear.

In 1978 Isaly revised the wrapper of the Klondike bar maintaining, however, the impression the original wrapper conveyed. The colors, images, and words on the wrapper remained the same, but "Klondike" was emphasized,

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<sup>1</sup>Since instituting this action in 1982, Isaly has changed its name to AmBrit, Inc. We shall refer to the company as "Isaly" throughout this opinion.

"Isaly's" was reduced in size, and the stance of the polar bear was altered. Since 1978, the wrapper has remained the same. The plain Klondike bar is wrapped in pebbled foil presenting a 3 X 3 inch silver panel featuring a white polar bear on all fours before a sunburst design. Both the polar bear and the sunburst are outlined and highlighted with royal blue. Below the bear is the word "Klondike", written in large white letters outlined in royal blue. "Isaly's" appears in small blue letters to the right of the bear. The crispy and chocolate/chocolate wrappers are identical except that those wrappers use the colors yellow and brown respectively in place of the white color used on the plain wrapper.

Isaly began selling the Klondike in a six-pack arrangement in 1963, and between 1963 and 1978 some six-packs were offered in trays overwrapped in clear plastic. Since 1978, all six-packs have been sold in transparently overwrapped trays with a double layer of three bars, presenting the Klondike wrapper three times. The trays are silver and feature a large numeral "6" on the side. The end panels of the Klondike trays display a copy of the appropriate wrapper design depending on the version of the bar contained in the tray.

Until 1978, Isaly sold the Klondike bar in a tri-state area composed of Western Pennsylvania, Eastern Ohio, and Northern West Virginia. Isaly advertised in newspapers and in point-of-sales materials in stores, both of which featured the polar bear emblem found on the bar's wrapper. Isaly also advertised on television in a commercial featuring a polar bear and prospector in a supermarket.

In 1978, Isaly began to investigate the possibility of expanding the market for the Klondike bar. Isaly decided to introduce the bar into supermarkets and convenience stores in various expansion markets. To augment the expansion it achieved on its own, Isaly approached Kraft, an international manufacturer and distributor of food products, concerning a distribution arrangement between the two parties. Although Kraft's dairy group produces its own ice cream

products, which are principally distributed under the brand names "Sealtest" and "Breyers", since 1970 that group has also distributed ice cream products made by other companies. The parties agreed that Kraft would distribute the Klondike bar in Florida and that Isaly would be responsible for most of the advertising in that market.

The introduction of the Klondike bar into the Florida market in early 1979 was highly successful and Kraft was well satisfied. Kraft had previously been unsuccessful with its ice cream novelty line and viewed the Klondike bar as a way to change that pattern. In October 1979, Kraft informed Isaly that it was interested in purchasing Isaly or having Isaly package its bars for Kraft under the Sealtest name. Isaly rejected these proposals, suggesting instead that Kraft expand its distribution of the Klondike bar. Kraft stated, however, that it was reluctant to expand distribution without a proprietary interest in the product.

In late 1979, Kraft began to develop its own five ounce chocolate-covered ice cream bar. Kraft attempted to duplicate the exact size and taste of the Klondike bar. Kraft chose the name "Polar B'ar" after finding that name on a list of unused trademarks. A predecessor of Kraft, Southern Dairies, Inc., had sold an ice cream bar under that trademark from 1929 to 1932, and periodically renewed the trademark registration. Through merger, Kraft acquired it.

Kraft employed two firms to design the packaging for the Polar B'ar product, making clear to these firms that the functional features of the Polar B'ar package were to resemble as closely as possible the Klondike bar package. The bars were to be wrapped in foil and sold in six-pack trays over-wrapped in transparent plastic. Kraft supplied these design firms with samples of the Klondike packaging to aid them in their efforts.

The designers presented Kraft with a number of different wrapper designs but ultimately chose the one Isaly now challenges. That wrapper presents a 3 X 3 pebbled silver foil

panel with a white polar bear standing on all fours contained within a colored triangle in the bottom right corner. "Polar B'ar" is written in large colored block letters diagonally across the center of the bar. "Sealtest" is written in script in a red box in the upper left corner, and the phrase "made with real milk chocolate" appears in a red circle in the bottom left corner of the panel.

In 1980 Kraft sold Polar B'ars in two forms: plain and "crunchy". The colors of the triangle and block letters on the wrappers varied with each version. Plain wrappers used royal blue and "crunchy" wrappers used red. Later, Kraft introduced four new versions of the bar: chocolate, mint, heavenly hash, and peanut butter, using the colors brown, green, light blue, and golden brown respectively.

As planned, Kraft sold Polar B'ars in a six-pack tray overwrapped in clear plastic. The tray employs a silver background and displays a large numeral "6" between the brand name and the product description. The end panels of Kraft's tray feature a large white polar bear and the words "Polar B'ar" in large block letters against a background colored to correspond with the version of the bar contained in the tray. Kraft promoted the bar with television and newspaper advertising. Its television commercial featured the figure of a bear. Then came a bear's roar when the camera shifted to the polar bar wrapper.

Kraft was the exclusive distributor of the Klondike bar in Florida from 1979 to 1982. In February 1982 Kraft notified Isaly in writing of its intention to terminate its distribution of Klondike as of April 1982. In May 1982 Isaly initiated this suit. Isaly asserted that Kraft's packaging: (1) constituted a false designation of origin under § 43(a) of the Lanham Act,<sup>2</sup> (2) infringed Isaly's federal trademarks covering its label and package designs,<sup>3</sup> (3) constituted common law unfair competition, (4) diluted Isaly's trade dress in

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<sup>2</sup> 15 U.S.C. § 1125(a).

<sup>3</sup> 15 U.S.C. § 1114(1).



violation of Florida statutory law,<sup>4</sup> and (5) constituted unfair competition under Florida law.<sup>5</sup> Isaly later amended its complaint seeking to have Kraft's Polar B'ar trademark cancelled. Kraft denied all of Isaly's claims and asserted the defense of laches. After a long trial, the district court ruled in favor of Isaly on the trademark and false designation of origin claims.<sup>6</sup> The court rejected Kraft's laches defense and Isaly's request to cancel Kraft's trademark. The court then entered an injunctive order and scheduled a hearing on the damages issue.<sup>7</sup> Both parties appealed.

## DISCUSSION

### I. Trade Dress Infringement

Kraft's first contention on appeal is that the district court erred in finding Kraft guilty of trade dress infringement. Kraft does not contend that the district court applied the wrong test in making this finding, but rather argues that the district court misapplied the proper test.

Section 43(a) of the Lanham Act states in relevant part:

Any person who shall . . . use in connection with any goods or services, or any container or containers for goods . . . any false description or representation, including words or other symbols tending falsely to describe or

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<sup>4</sup> Fla.Stat. § 495.151 *et seq.*

<sup>5</sup> Fla.Stat. § 501.201 *et seq.*

<sup>6</sup> The district court did not address the state law claims separately, apparently ruling that a resolution of those claims was unnecessary in the light of its disposition of the federal claims. Because neither party has specifically raised this as a point of error and because of our disposition of the federal claims, we need not review the district court's handling of the state law claims.

<sup>7</sup> The parties had entered into a pre-trial stipulation that the trial court would address only the liability issues and that subsequent proceedings would deal with the damages issue if necessary.



represent the same . . . shall be liable to a civil action by . . . any person who believes he is or is likely to be damaged by the use of any such false description or representation.<sup>8</sup>

This Court has held that Section 43(a) creates a federal cause of action for trade dress infringement.<sup>9</sup> As we stated in *John Harland Co. v. Clarke Checks, Inc.*,<sup>10</sup> " 'Trade Dress' involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques."<sup>11</sup> The trade dress at issue in this controversy is the wrapper and packaging of Isaly's Klondike bar.

[1] As the district court below held, to prevail on a trade dress infringement claim under § 43(a), the plaintiff must prove three elements: 1) its trade dress is inherently distinctive or has acquired secondary meaning, 2) its trade dress is primarily non-functional, and 3) the defendant's trade dress is confusingly similar.<sup>12</sup> The district court found that Isaly had established all three elements and therefore ruled in favor of Isaly on the trade dress infringement claim. Kraft contends that the district court erred in its conclusion with respect to each element. Because each element involves a finding of fact, we cannot overturn the decision of the district court absent clear error on at least one element. We now review the district court's findings.

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<sup>8</sup> 15 U.S.C. § 1125(a).

<sup>9</sup> *Original Appalachian Artworks, Inc. v. Tey Loft, Inc.*, 684 F.2d 821, 830-32 (11th Cir.1982); *Sun-Fun Products, Inc. v. Suntan Research & Development, Inc.*, 656 F.2d 186, 192 (5th Cir. Unit B 1981).

<sup>10</sup> 711 F.2d 966 (11th Cir.1983).

<sup>11</sup> *Id.* at 980, citing, *Original Appalachian Artworks, Inc.*, 684 F.2d at 831.

<sup>12</sup> *Brooks Shoe Mfg. Co. v. Suave Shoe Corp.*, 716 F.2d 854, 857 (11th Cir.1983); *John H. Harland Co.*, 711 F.2d at 980.

### A. Inherent Distinctiveness or Secondary Meaning

At the outset, the plaintiff must establish that its trade dress is inherently distinctive or has acquired secondary meaning.<sup>13</sup> Manifestly, if the plaintiff's trade dress is not sufficiently distinctive to allow consumers to identify the product from the trade dress, then the dress does not inherently serve as an indication of origin and the plaintiff can claim no right to the exclusive use of that trade dress. Even if a competitor appropriated the identical trade dress, the plaintiff would not be injured because the plaintiff's trade

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<sup>13</sup> See *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. Unit A 1981), *cert. denied*, 457 U.S. 1126, 102 S.Ct. 2947, 73 L.Ed.2d 1342 (1982). See also *University of Georgia Athletic Association v. Laite*, 756 F.2d 1535, 1540-41 (11th Cir.1985) holding that an inherently distinctive servicemark is protectable under § 43(a) without showing of secondary meaning. We have not previously ruled that inherently distinctive trade dress can be protected under § 43(a) without a showing of secondary meaning, but we have on several occasions noted the merit of such an approach. *E.g.*, *University of Georgia Athletic Association*, 756 F.2d at 1541 & n. 14; *John H. Harland Co.*, 711 F.2d at 981 n. 25; *Brooks Shoe Mfg. Co.*, 716 F.2d at 857 & n. 9. The Fifth Circuit has adopted such an approach in *Chevron Chemical Co.*, and although that decision is not binding in this circuit, see *Bonner v. City of Prichard*, 661 F.2d 1206 (11th Cir.1981) (*en banc*) (all decisions of Fifth Circuit handed down before October 1, 1981, are binding precedent in the Eleventh Circuit), it is entitled to great weight because it is based on cases of the former Fifth Circuit that are binding precedent in this circuit. *Original Appalachian Artworks, Inc.*, 684 F.2d at 831 n. 14. Our holding in *University of Georgia Athletic Assoc.* that an inherently distinctive trademark or servicemark may be protected under § 43(a) without a showing of secondary meaning, foreshadowed our decision today extending that rule to trade dress as well. 756 F.2d at 1540-41. See generally *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 426 n. 7 (5th Cir.1984) discussing the rationale for not requiring secondary meaning before extending protection to inherently distinctive trade dress.

dress does not serve to distinguish its goods from those of its competitor's. Alternatively, a finding of secondary meaning<sup>14</sup> suffices to establish protectability because such a finding means that notwithstanding the indistinctiveness of the trade dress, the consuming public has come to associate that trade dress with the product's producer.

The district court found that at the time Polar B'ar was introduced in 1980, the trade dress of Isaly's Klondike was inherently distinctive and had acquired secondary meaning. Kraft challenges both of these findings. Because we hold that the district court's finding with respect to inherent distinctiveness is not clearly erroneous, we need not address the secondary meaning issue.

In assessing the inherent distinctiveness of the Klondike trade dress, the district court considered the factors enunciated by this Court in *Brooks Shoe Manufacturing Co. v. Suave Shoe Corporation*,<sup>15</sup> where we stated that a court should examine the trade dress and consider, among other factors:

whether it [is] a "common" basic shape or design, whether it [is] unique or unusual in a particular field, [and] whether it [is] a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods. . . .<sup>16</sup>

[2] Unlike the "V" or "7" in *Brooks*, the Klondike trade dress is not a basic shape or common design. Rather, as the district court found, the Klondike wrapper with its square size, bright coloring, pebbled texture, polar bear and sunburst images, and distinctive style of printing is "a complex com-

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<sup>14</sup>Secondary meaning is the connection in the consumer's mind between the mark and the product's producer, whether that producer is known or unknown.

<sup>15</sup>716 F.2d 854 (11th Cir.1983).

<sup>16</sup>*Id.* at 858 quoting *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342, 1344 (C.C.P.A.1977).

posite of size, color, texture and graphics. . . . [creating] a distinctive visual impression".<sup>17</sup> The court, hewing close to the language in *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*,<sup>18</sup> noted that the wrapper includes features that are "arbitrary and serve no function either to describe the product or assist in its effective packaging",<sup>19</sup> and found the wrapper trade dress inherently distinctive.

Kraft challenges this finding on two grounds. It first argues that the silver foil, the color royal blue, and the arctic sun and polar bear images all connote cold and are therefore not inherently distinctive when used in connection with ice cream novelties. Kraft also argues that third parties have used these same elements in connection with their packaging of ice cream products and frozen desserts. Kraft asserts that when viewed in context of the *Brooks* factors, these third party uses indicate that the Klondike trade dress is not unique and is a mere refinement of a commonly-adopted form of ornamentation for ice cream products. The district court rejected both of these arguments. The ruling was not clearly erroneous.

Trademarks and trade dress may be classified as generic, descriptive, suggestive, or arbitrary.<sup>20</sup> Once conceived as

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<sup>17</sup> Order at 11-12.

<sup>18</sup> 659 F.2d 695, 702 (5th Cir.1981).

<sup>19</sup> Order at 11.

<sup>20</sup> As this court stated in *Freedom Savings and Loan Assoc. v. Way*, 757 F.2d 1176 (11th Cir.), cert. denied, \_\_\_ U.S. \_\_\_, 106 S.Ct. 134, 88 L.Ed.2d 110 (1985).

Generic marks refer to a particular genus or class of which an individual service [or product] is but a member; such marks may never receive . . . protection. Descriptive marks directly describe a characteristic or quality of the service [or product], and can only be protected if they have acquired "secondary meaning." "Vision Center," when used to describe a place to purchase eyeglasses, would be a descriptive name. Suggestive marks subtly connote some-

distinct categories, these rubrics are now commonly viewed as "central tones in a spectrum".<sup>21</sup> Within this spectrum, the distinctiveness of a product's trade dress increases as it moves toward the suggestive or arbitrary end of the spectrum. The overall appearance of the Klondike trade dress and of its constituent elements is arbitrary or suggestive.<sup>22</sup> The trade dress does not describe the ice cream product, rather it suggests to the consumer the coldness of the product. Such trade dress is inherently distinctive under Section 43(a).<sup>23</sup>

Isolated or piecemeal third party uses of various elements of the Klondike trade dress do not detract from the distinctiveness of the overall impression conveyed by the combination of those elements on the Klondike wrapper. Indeed,

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(footnote continued from preceding page)

thing about the service [or product] so that a consumer could use his or her imagination and determine the nature of the service [or product]. The term "Penguin" would be suggestive of refrigerators.

... An arbitrary or fanciful mark is a word in common usage applied to a service [or product] unrelated to its meaning; "Sun Bank" is such an arbitrary or fanciful mark when applied to banking services.

*Id.* at 1182 n. 5 (citations omitted).

<sup>21</sup> *Falcon Rice Mill, Inc. v. Community Rice Mill, Inc.*, 725 F.2d 336, 346 (5th Cir.1984), quoting, *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183 (5th Cir.1980), cert. denied, 450 U.S. 981, 101 S.Ct. 1516, 67 L.Ed.2d 816 (1981).

<sup>22</sup> That the Patent and Trademark Office issued trademarks covering the trade dress at issue without requiring a showing of secondary meaning bolsters the conclusion that the Klondike trade dress is not generic or descriptive.

<sup>23</sup> See *Chevron Chemical Co.*, 659 F.2d at 702 (trade dress is protectable if it is arbitrary and not descriptive), *University of Georgia Athletic Assoc.*, 756 F.2d at 1541; *CPG Prods. Corp. v. Pegasus Luggage, Inc.*, 776 F.2d 1007, 1012 (Fed. Cir.1985) (construing Eleventh Circuit precedents).

third party use of one or more suggestive or arbitrary elements of a plaintiff's trade dress renders that trade dress indistinct only if the third party use is so extensive and so similar to the plaintiff's that it impairs the ability of consumers to use the trade dress of the products to identify their source.<sup>24</sup> Extensive and similar use is not present in the instant case. Indeed, the record reveals no prior use of any combination of the Klondike trade dress elements that is at all similar to the unique impression conveyed by Isaly's trade dress.

The district court did not commit clear error in ruling that the Klondike trade dress was inherently distinctive and therefore protectable without a showing of secondary meaning.<sup>25</sup>

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<sup>24</sup> See generally *University of Georgia Athletic Assoc.*, 756 F.2d 1535, finding a servicemark inherently distinctive notwithstanding third party uses, because most third parties had not used a substantially similar servicemark and those who had did not use mark extensively.

<sup>25</sup> That the threshold of inherent distinctiveness for trade dress is relatively low does not necessarily mean that the first competitor in a market can, through appropriation and use, monopolize trade dress elements that the consuming public would naturally associate with the type of product being offered. Except in instances where a *particular element* of trade dress is inherently distinctive and therefore able to serve as an indicator of service, § 43(a) protects not the individual elements of a producer's trade dress, but rather their combination and the unique impression conveyed by that combination. In *Chevron Chemical Co.*, the court extended protection to a mere combination of colors in a simple three band design. 659 F.2d 695. But the *Chevron* court was quick to point out that latecomers were free to use the same colors or the same design as long as their trade dress did not convey the same visual impression. *Id.* at 703. In the same vein, latecomers in the five ounce chocolate-covered ice cream bar market may use certain elements of the Klondike trade dress as long as their use does not convey the same visual impression.



### B. Functionality

[3] Trade dress is protectible under section 43(a) only if it is primarily nonfunctional.<sup>26</sup> The district court found the Klondike tray with its plastic overwrap functional. Kraft was therefore free to imitate those features of the Klondike packaging with complete impunity. A contrary result would hinder Kraft in its attempt to compete effectively with Isaly.

[4] That individual elements of packaging are functional does not, however, render the package as a whole unprotectible.<sup>27</sup> The district court found that "the Klondike foil wrapper, with its graphics, is primarily nonfunctional".<sup>28</sup> Kraft does not seriously dispute this finding, and indeed any such challenge would be misplaced. The actual wrapper may be functional, but its appearance is not. That the wrapper is primarily nonfunctional does not mean that Kraft may not use a foil wrapper in connection with the packaging of its five-ounce ice cream novelties. Rather, Kraft is precluded only from using a foil wrapper with an overall appearance that is confusingly similar to the wrapper used in Isaly.

### C. Likelihood of Confusion

[5] "[T]he touchstone test for a violation of § 43(a) is the "likelihood of confusion" resulting from the defendant's adoption of a trade dress similar to the plaintiff's."<sup>29</sup> In determining whether a likelihood of confusion exists, the fact finder evaluates a number of elements including: the strength of the trade dress, the similarity of design, the similarity of the product, the similarity of retail outlets and

<sup>26</sup> See generally *Sicilia Di R. Biebow & Co.*, 732 F.2d at 426-30, discussing the distinction between features that are functional and those that are not.

<sup>27</sup> See, e.g., *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 203-04 (2d Cir.1979), cited with approval in *John H. Harland Co.*, 711 F.2d at 982-84.

<sup>28</sup> Order at 17.

<sup>29</sup> *Original Appalachian Artworks, Inc.*, 684 F.2d at 831-32.



purchasers, the similarity of advertising media used, the defendant's intent, and actual confusion.<sup>30</sup> The issue of likelihood of confusion is not determined by merely analyzing whether a majority of the subsidiary factors indicates that such a likelihood exists. Rather, a court must evaluate the weight to be accorded the individual factors and then make its ultimate decision.<sup>31</sup> The appropriate weight to be given to each of these factors varies with the circumstances of the case.

The district court evaluated these factors, weighed them carefully, and found that Kraft's trade dress creates a likelihood of confusion. Kraft rejects this finding arguing that the district court misapplied the above test. A finding of likelihood of confusion is a finding of fact and is reviewed by this court under the clearly erroneous standard.<sup>32</sup> Although that standard is not applicable "when a district court labors under a misapprehension concerning the governing legal norms",<sup>33</sup> we find that in evaluating a likelihood of confusion the district court properly applied the appropriate legal test.<sup>34</sup> Our review is thereby confined to an inquiry as to whether the court's finding is clearly erroneous. A survey of the likelihood of confusion factors in this case convinces us that the district court's finding is not clearly erroneous.

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<sup>30</sup> *Exxon Corp. v. Texas Motor Exchange of Houston, Inc.*, 628 F.2d 500, 504 (5th Cir.1980); *Original Appalachian Artworks, Inc.*, 684 F.2d at 832.

<sup>31</sup> *Jellibeans, Inc. v. Skating Clubs of Georgia, Inc.*, 716 F.2d 833, 840 n. 17 (11th Cir.1983).

<sup>32</sup> *Id.* at 840; *Exxon Corp.*, 628 F.2d at 504.

<sup>33</sup> *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 384 (5th Cir.1977).

<sup>34</sup> See *Sun Banks of Florida, Inc. v. Sun Fed. Sav. & Loan Assoc.*, 651 F.2d 311, 314 (5th Cir.1981) (statement in *Kentucky Fried Chicken Corp.* "may not be taken as an erosion of the standard of review applicable to a finding of likelihood of confusion").

## 1. Strength of the Trade Dress

The strength of the Klondike trade dress determines the scope of protection it will receive: strong trade dress receives strong protection, and weak trade dress receives weak protection. The strength of a particular trade dress is determined by a number of factors that establish its standing in the marketplace.<sup>35</sup> Relying on its finding that the trade dress was inherently distinctive and had acquired secondary meaning, the district court concluded that the Klondike trade dress was strong. A more thorough analysis, however, is needed to determine the scope of protection appropriate for the Klondike trade dress. A finding of inherent distinctiveness indicates that the Klondike trade dress will be protected, but the appropriate degree of protection is determined by examining a number of factors that establish the standing of the trade dress in the marketplace: most notably, the type of trade dress and the extent of the third party uses.<sup>36</sup>

In analyzing the scope of protection a particular trade dress warrants, a court must first consider the type of trade dress involved. As noted above, trade dress may be classified as generic, descriptive, suggestive, or arbitrary, and the scope of protection increases as the trade dress moves toward the arbitrary end of the spectrum. Isaly's trade dress is composed of a number of elements suggesting the coldness of the Klondike bar. The Klondike trade dress is therefore mainly suggestive. Although there is no clear pattern in this circuit as to what type of protection suggestive trade dress warrants

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<sup>35</sup> *Sun Banks of Florida, Inc.*, 651 F.2d at 315.

<sup>36</sup> *Id.* at 315-17; *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160, 1164 (11th Cir.1982); *John H. Harland Co.*, 711 F.2d at 975. The strength of the mark analysis is much the same as the inherent distinctiveness analysis. While the latter is concerned with determining whether a threshold level of distinctiveness has been reached, the former is more thorough in that its goal is to determine the degree of distinctiveness of a particular trade dress.

under § 43(a)<sup>37</sup>, we hold that the mainly suggestive Klondike trade dress merits at least moderate protection.

The second scope-of-protection factor is the extent of third party use. As noted in the discussion of inherent distinctiveness, a number of third parties have used various elements of the Klondike trade dress. The record indicates that, in connection with the sale of frozen desserts, at least eight third parties have used a polar bear image, and that numerous third parties have used silver foil, an arctic sun image, or the royal blue color. Although not as extensive as the third party uses that have led to weak protection in other cases,<sup>38</sup> these uses do require the court to extend less protection to the Klondike wrapper than it would in their absence. Use of isolated elements of the Klondike trade dress that do not convey the same total image does not, however, lead to the Klondike wrapper being stripped of protection.<sup>39</sup>

Our review of the evidence leads us to conclude that were we to make the determination as to the strength of Isaly's trade dress *de novo*, we would accord that trade dress moder-

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<sup>37</sup> Compare *John H. Harland Co.*, 711 F.2d at 975 ("suggestive or possibly" mark accorded weak protection) with *Safeway Stores, Inc.*, 675 F.2d at 1165 (suggestive mark is "relatively strong one") and *University of Georgia Athletic Assoc.*, 756 F.2d at 1545 (mark that is suggestive if not arbitrary characterized as "strong").

<sup>38</sup> See *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 259 (5th Cir.) (72 third party uses led to weak protection), *cert. denied*, 449 U.S. 899, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980); *Sun Banks of Florida, Inc.*, 651 F.2d at 316 (4400 uses in Florida alone led to weak protection). But see *Safeway Stores, Inc.*, 675 F.2d at 1165 ("score" of third party uses did not prevent suggestive mark from being "relatively strong").

<sup>39</sup> *University of Georgia Athletic Assoc.*, 756 F.2d at 1545 (third party users do not necessarily diminish a mark's strength); *Safeway Stores, Inc.*, 675 F.2d at 1165.

ate, as opposed to either strong or weak, protection.<sup>40</sup> The Klondike trade dress is suggestive, and third parties have used most of the elements of that trade dress. We need not decide, however, whether the district court's finding that the Klondike trade dress warranted strong protection is clearly erroneous. Given that the amalgam of the other likelihood of confusion factors points so strongly in favor of a finding of likelihood of confusion, it does not matter whether the

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<sup>40</sup>The district court also found that the Klondike trade dress had acquired secondary meaning. This finding is probative on the strength of the mark issued because it also establishes the mark's standing in the marketplace. See *John H. Harland Co.*, 711 F.2d at 974 n. 13.

Kraft challenges the district court's finding of secondary meaning. We agree with Kraft that Isaly's extensive sales—36 million bars in the 1980 fiscal year—and advertising do not necessarily establish secondary meaning. See *Aloe Cream Laboratories, Inc. v. Milsan, Inc.*, 423 F.2d 845, 850 (5th Cir.) (key issue in secondary meaning inquiry is not extent of promotional efforts but their effectiveness), *cert. denied*, 398 U.S. 928, 90 S.Ct. 1818, 26 L.Ed.2d 90 (1970). But sales and advertising may be considered by the finder of fact in making the secondary meaning inquiry. *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1513 (11th Cir.1984). The district court's finding of secondary meaning is not clearly erroneous. See *Brooks Shoe Mfg. Co.*, 716 F.2d at 860 (finding on secondary meaning issue reversible only for clear error).

The existence of secondary meaning leads to greater protection for the Klondike's trade dress. On the other hand, the Klondike trade dress is protectable mainly because it presents a "distinctive visual impression", not because the elements of that trade dress are arbitrary or unusual. As the Fifth Circuit held in *Falcon Rice Mill, Inc.*, a "distinctive visual impression" normally receives weak protection. 725 F.2d at 346. Nonetheless, a "distinctive visual impression" will be protected. See *Chevron Chemical Co.*, 659 F.2d 695. And indeed, a "distinctive visual impression" composed of suggestive elements will be accorded greater protection than one composed of generic or descriptive elements. Cf. *Falcon Rice Mill, Inc.*, 725 F.2d 336.

Klondike trade dress is accorded strong or moderate protection, for in either case, the finding of likelihood of confusion is not clearly erroneous.

## 2. Similarity of Design

The similarity of design test has been described as “‘really nothing more than a subjective eyeball test.’ . . . The similarity of design is determined by considering the overall impression created by the mark as a whole rather than simply comparing individual features of the marks.”<sup>41</sup> Following this approach, the district court stated, “Upon visual inspection, the wrapped bars convey the same overall appearance.”<sup>42</sup>

Kraft strenuously objects to this finding. Kraft asserts that in making its finding of similarity of design the court disregarded the word marks “Sealtest”, “Polar B’ar”, “Isaly’s”, and “Klondike”. Kraft also argues that a comparison of the packages reveals many differences including a different overall impression.

Kraft is correct in asserting that the presence of dissimilar word marks lessens the possibility of a finding of similarity of design.<sup>43</sup> Use of distinguishing word marks does not, however, preclude a finding of similarity of design.<sup>44</sup> The similarity of design test is an inquiry into the overall simi-

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<sup>41</sup> *Exxon Corp.*, 628 F.2d 504-05 (citation omitted).

<sup>42</sup> Order at 19.

<sup>43</sup> *John H. Harland Co.*, 711 F.2d at 980 n. 24. That the defendant has placed on its products marks that are different from those employed by the plaintiff is also probative on the intent and actual confusion factors under the likelihood of confusion test.

<sup>44</sup> See *John H. Harland Co.*, 711 F.2d 981, n. 24; see generally *Sun-Fun Products, Inc.*, 656 F.2d 186 (likelihood of confusion possible notwithstanding dissimilar word marks); *Chevron Chemical Co.*, 659 F.2d 695 (finding similarity of design and likelihood of confusion notwithstanding dissimilar word marks).

larity of the defendant's trade dress with that of the plaintiff. Therefore, the dissimilar word marks may not be considered separately; rather, they must be considered in the context of the trade dress as a whole.

Even a cursory reading of the district court's order makes clear that in analyzing the overall appearance of the trade dress of the products the district court did not disregard the dissimilar word marks. Indeed, the court even mentioned that each wrapper displayed "the product name printed in large block letters, accompanied by the company name (Sealtest or Isaly's) in much smaller script lettering".<sup>45</sup>

Kraft next argues that the design and color of the trade dress of each product are simply not similar. Kraft points again to the dissimilar word marks and also to the differences between the modern design of the Polar B'ar trade dress and the old-fashioned tone of the Klondike trade dress. In assessing Kraft's contention, it is important to remember that, regardless of the ready accessibility of the exhibits to the reviewing court and the ability of this Court to see as well as the district court, the district court's finding that the designs are similar is still reversible only for clear error.<sup>46</sup>

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<sup>45</sup> Order at 19.

<sup>46</sup> Relying on *Sicilia Di R. Biebow & Co.*, 732 F.2d 417, and *John H. Harland Co.*, 711 F.2d 966, Kraft asserts that this court is in as good a position to apply the subjective eyeball test as the lower court. In essence Kraft is asking this court to review the finding of similarity of design *de novo*. We decline this invitation.

A finding of similarity is a finding of fact reversible only for clear error. *Jellibeans, Inc.*, 716 F.2d at 842. *Sicilia Di R. Biebow & Co.* and *John H. Harland Co.* are not to the contrary. In both of those cases, the appellate court undertook an analysis of the similarity of the designs, but that does not mean that those courts were substituting their own judgment for that of the district court. Rather, each of those appellate courts was simply evaluating the evidence to determine whether the district court's decision was clearly erroneous.

(footnote continued on next page)



Viewing the trade dress as a whole, the overall impression conveyed by each is similar. An inspection of the wrappers of the plain Klondike and the plain Polar B'ar<sup>47</sup> reveals that each is the same size, each has a textured silver foil background, each is printed primarily with blue and white inks, each includes the product name in large block letters and the company name in smaller script, and each features a polar bear.<sup>48</sup> Although a close examination of the two wrappers reveals significant differences, a court may not view trade dress in a vacuum. Rather, a court must consider how the trade dress would function in the actual market place. Ice cream novelties are impulse items stored in frosty freezer cases and sold in busy grocery stores to hurried shoppers. When viewed in this context, the general similarity of the design of the trade dress of the two products is an even stronger indication of the existence of likelihood of confusion.

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Moreover, the Supreme Court's recent decision in *Anderson v. City of Bessemer*, 470 U.S. 564, 105 S.Ct. 1504, 84 L.Ed.2d 518 (1985), makes clear that an appellate court reviewing a finding of fact is constrained by the clearly erroneous standard even when the finding of fact does not turn on the credibility of witnesses or was such that the reviewing court was in as good a position as the district court to review the evidence.

<sup>47</sup>The district court discussed at length only the similarities between the wrappers for the plain bars but found that all of Kraft's wrappers were similar to Isaly's. We agree with that conclusion and take a parallel approach in assessing the similarity of design of the trade dress.

<sup>48</sup>Although we have described the elements of the wrappers that are similar, we are not making a comparison of individual elements. Rather, we are explaining why the overall impression of each wrapper is similar. The district court correctly followed this same approach.

We note that the manner in which the products are presented to the consumers, in the overwrapped six-pack trays, amplifies the similarity of the trade dress.



### 3. Similarity of the Products

That the products involved are similar is evidence tending to prove the existence of a likelihood of confusion.<sup>49</sup> The district court found and we agree that the products in the instant case are identical. Both are competitively priced, five ounce, stickless, chocolate-covered ice cream bars.

### 4. Similarity of Retail Outlets and Purchasers

Likelihood of confusion is more probable if the products are sold through the same channels to the same purchasers.<sup>50</sup> The district court found that the products are both sold through the same channels, primarily supermarkets and convenience stores, to the same purchasers. Kraft has not challenged this finding.

### 5. Similarity of Advertising Media

If the plaintiff and defendant both use the same advertising media, a finding of likelihood of confusion is more probable.<sup>51</sup> The district court found that both parties use the same advertising media, primarily television and radio, and that the advertisements were themselves similar. This finding is clearly correct.

### 6. Defendant's Intent

Kraft's intent in adopting the Polar B'ar trade dress is a critical factor because a finding that Kraft adopted the trade dress with the intent of deriving benefit from the reputation of Isaly's Klondike may alone be enough to justify the inference that there is confusing similarity.<sup>52</sup> In assessing the intent factor, the district court found that "Kraft intended to emulate if not infringe".<sup>53</sup> Kraft and Isaly have both argued as to the meaning of that phrase and as to

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<sup>49</sup> *Exxon Corp.*, 628 F.2d at 505.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 506.

<sup>52</sup> *Amstar Corp.*, 615 F.2d at 263; *Exxon Corp.*, 628 F.2d at 506.

<sup>53</sup> Order at 23.

whether the evidence supports the position of the other party. After reviewing that phrase and the context in which it is found, we are convinced that the district court's finding was based on solid evidence that Kraft intended to benefit from the goodwill of Isaly. We turn now to examine the evidence supporting that finding.

In early 1979, Kraft began distributing the Klondike bar for Isaly in Florida. The introduction of the Klondike bar in Florida was surprisingly successful. Kraft had been searching for an appropriate ice cream novelty product, and after witnessing the success of the Klondike bar, Kraft approached Isaly with an offer to either buy Isaly or have Isaly pack Klondike bars for Kraft under the Sealtest label. Isaly rejected this offer, proposing instead that Kraft expand its distribution of the Klondike bar. Kraft rejected that offer.

As a result of the distribution relationship, Kraft learned of Isaly's expansion plans for the Klondike bar and of information vital to the successful sale of an ice cream novelty like the Klondike bar. In late 1979, Kraft began developing its own five ounce, stickless, chocolate-covered ice cream bar. Kraft attempted to develop a bar that was, in almost all respects, identical with the highly successful Klondike bar.

Kraft chose to name its new product "Polar B'ar", a name that conveys a double meaning: "polar bear" and "cold bar". At the time it chose the name, Kraft was aware that the Klondike wrapper featured a polar bear. Moreover, prior to the time Kraft selected the name for its product, Isaly had undertaken some promotional and other efforts to develop an association between the polar bear symbol and the Klondike bar.<sup>54</sup>

Kraft retained two design firms to design the packaging for the Polar B'ar. It is undisputed that Kraft requested

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<sup>54</sup> In addition to using commercials and a wrapper featuring a polar bear, Isaly had been involved with highly publicized activities such as donating polar bears to the Philadelphia Zoo.

these firms to copy the functional features of the Klondike packaging, such as the six-pack tray, the dead fold foil wrapper, and the clear plastic overwrap. To help achieve this goal, Kraft supplied the design firms with samples of the Klondike packaging and wrapper. It is also clear that, given the name Kraft had chosen for its product, the use of a polar bear image on the Polar B'ar wrapper was a foregone conclusion.

The design firms offered Kraft a number of wrapper prototypes employing a variety of graphic designs. Kraft chose the design that Isaly is now challenging. The record reveals that Kraft knew of the distinct possibility that the wrapper design it chose infringed the Klondike trade dress. But Kraft never sought an opinion from legal counsel on that issue.<sup>55</sup>

Isaly argues that the unmistakable import of this evidence is that Kraft chose deliberately to come as close to the total image of the Klondike bar as possible. According to Isaly, even though Kraft may have intended to stay within legal bounds, it copied the Klondike bar and functional packaging features exactly and attempted to copy the Klondike trade dress to a sufficient degree that when combined with the other packaging features, Kraft would benefit from the reputation of Isaly's Klondike. Isaly correctly points out that even an intent to come as close as the law will allow is an intent to derive benefit from the other party's reputation and is therefore probative on the likelihood of confusion issue.<sup>56</sup> Indeed, Isaly argues that Kraft even chose its name with the intent of deriving benefit from Isaly's reputation.

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<sup>55</sup> Isaly infers that Kraft never sought a legal opinion for fear that such an opinion would confirm the concern expressed by several people involved with the development of the Polar B'ar concept and product: that the Polar B'ar wrapper infringed the Klondike wrapper.

<sup>56</sup> *John H. Harland Co.*, 711 F.2d at 977-78.

Kraft argues, however, that it had no such intent to derive benefit from the reputation of Isaly. Rather, Kraft argues that it copied only those features that it had the right to copy, those that were in the public domain.<sup>57</sup> Kraft asserts that it copied those features not to benefit from Isaly's reputation, but to let the consumers know that they would be getting the same type of product as that offered by Isaly. Kraft points to the word mark "Polar B'ar", which it asserts is clearly not confusing with the "Klondike" word mark, and to the "Sealtest" logo, and argues that if it had been attempting to poach the goodwill of Isaly, it would not have used these distinctive and different marks.<sup>58</sup>

There is no question that Kraft's argument finds support in the evidence—as does Isaly's—but even were we to accept Kraft's position, the district court's finding of intent on the part of Kraft to benefit from Isaly's goodwill would be proper. There is nothing unusual about a finding of intent based on circumstantial evidence.<sup>59</sup> Although Kraft was free to copy the Klondike product and the functional packaging features of that product, the finder of fact may infer from evidence of such actions an intent to derive benefit from Isaly's goodwill.<sup>60</sup> Such a finding is especially fitting when, as here, a review of Kraft's nonfunctional trade dress and that of the plaintiff reveals substantial similarities. Therefore, irrespective of which version of the facts is to be believed, the record supports the district court's finding that

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<sup>57</sup> *Id.* at 982 (absent copyright or patent protection, functional features may be copied with complete impunity).

<sup>58</sup> The thrust of this argument is diminished to some degree because one of the connotations of "Polar B'ar" conveys the same impression as the polar bear image Isaly was promoting.

<sup>59</sup> *Jellibeans, Inc.*, 716 F.2d at 843.

<sup>60</sup> *John H. Harland Co.*, 711 F.2d at 977 & n. 16.

Kraft intended to benefit from the goodwill Isaly has built for itself.<sup>61</sup>

## 7. Actual Confusion

Actual consumer confusion is the best evidence of likelihood of confusion.<sup>62</sup> There is no absolute scale as to how many instances of actual confusion establish the existence of that factor. Rather, the court must evaluate the evidence of actual confusion in the light of the totality of the circumstances involved.<sup>63</sup> In the instant case, Isaly presented four consumers who testified that they had been confused while making purchases in the market place. Each of the witnesses had notified Isaly of his or her confusion by letter or telephone. Isaly also introduced survey evidence on the actual confusion issue. The district court gave little weight to that survey,<sup>64</sup> but based on the testimony of Isaly's witnesses, the court found that "there is some indication of

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<sup>61</sup>The parties' previous contractual or business relations is also probative on the likelihood of confusion issue. *Sun-Fun Products, Inc.*, 656 F.2d at 189. In this case we view those business relations as a subfactor relating to intent. Kraft and Isaly had significant business dealings and through this association, Isaly allowed Kraft access to certain confidential information.

<sup>62</sup>*Amstar Corp.*, 615 F.2d at 263; *John H. Harland Co.*, 711 F.2d at 978.

<sup>63</sup>*Jellibeans, Inc.*, 716 F.2d at 844. *Compare Safeway Stores, Inc.*, 675 F.2d at 1167 (two instances established actual confusion) and *Jellibeans, Inc.*, 716 F.2d at 844 (three instances establish actual confusion) with *Amstar Corp.*, 615 F.2d at 263 (three instances of confusion involving noncustomers in 15 years of concurrent use raises presumption against likelihood of confusion) and *Sun Banks of Florida, Inc.*, 651 F.2d at 319 (19 instances of confusion involving mostly noncustomers is not evidence of likelihood of confusion).

<sup>64</sup>Isaly's survey was an in-store survey. The district court discounted its probative value because of procedural and methodological errors. The evidentiary value of the survey is ques-

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actual confusion".<sup>65</sup> Kraft argues that the evidence is insufficient to support the finding of actual confusion. Kraft asserts that the number of instances of confusion is quite low given the extensive sales involved, and that those individuals who were confused were careless. Moreover, Kraft argues that the district court erred when it failed to credit the evidence Kraft presented to refute Isaly's actual confusion evidence. Kraft introduced its own survey and also presented several "typical consumers" who testified that they were not confused.

Viewed in the light of the totality of the circumstances, Kraft's protestations are without merit. With respect to Kraft's assertion that the reported instances of confusion are small given the high volume of sales, we note that it takes very little evidence to establish the existence of the actual confusion factor.<sup>66</sup> Moreover, that there were only a few reported instances of actual confusion does not mean that only those individuals were actually confused. As the *Chevron Chemical Co.* court stated: "It would be exceedingly difficult to detect instances of actual confusion when, as here, the goods are relatively inexpensive and their actual properties are exactly identical".<sup>67</sup> It is likely that many consumers who were confused never realized they had been confused and that many of those who did realize they had been confused chose not to spend the time to register a complaint with a faceless corporation about the packaging of an item that retails for approximately \$2.50 per six-pack. Given these circumstances, four bona fide instances of actual

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tionable because it was done in such a way that many subjective factors were involved in the finding of confusion.

<sup>65</sup> Order at 23.

<sup>66</sup> *Jellibeans, Inc.*, 716 F.2d at 845; see also *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir.1971).

<sup>67</sup> 659 F.2d at 704.



confusion are sufficient to support the district court's finding of actual confusion. Kraft's argument that the four instances of confusion are inconsequential because these consumers were careless misses the point. Ice cream novelties are an impulse item that consumers purchase without a great deal of care. There is no indication that the four consumers who reported their confusion to Isaly were anything other than typical consumers following normal buying patterns. Finally, the district court properly gave little weight to Kraft's survey<sup>68</sup> and "typical consumer" witnesses.<sup>69</sup>

Although the evidence of actual confusion is far from overwhelming, the district court's finding of actual confusion is supported by the evidence and is not clearly erroneous.

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<sup>68</sup> Although this court has noted a trend away from according great weight to survey evidence in cases such as this, *see Safeway Stores, Inc.*, 675 F.2d at 1167 n. 10, survey evidence can be probative on the actual confusion issue. Kraft offered an in-home consumer survey. The interviewees were asked who made the Polar B'ar product. Most identified Sealtest or Kraft as the Maker. The district court gave little weight to this survey because of "procedural and methodological errors". Order at 23. The district court was most concerned that the interviewees "were never shown the Klondike bar while Kraft's Polar B'ar was displayed before the consumer thereby permitting the interviewees to read the label". *Id.*

A finder of fact has great latitude in determining the appropriate weight to accord particular evidence. Kraft's in-home survey did little to duplicate the circumstances confronting an actual consumer in the marketplace. The district court was therefore well within its discretion when it accorded the Kraft survey little weight.

<sup>69</sup> Kraft offered the testimony of several consumers who testified that they had not been confused. The district court properly disregarded this evidence. If Kraft could not find at least a handful of consumers who would agree to testify that they had not been confused, it might as well have defaulted.



## 8. The District Court's Finding

The district court considered each of the above factors and found that, when weighed together, they established a likelihood of confusion. As noted before, our review of that finding is under the clearly erroneous standard. We may therefore overturn the district court's finding only if, after reviewing all the evidence, we are left with the "definite and firm conviction that a mistake has been committed".<sup>70</sup> That the district court erred in its analysis of one of the subsidiary factors in the likelihood of confusion test is not enough to allow us to overturn the district court's decision.<sup>71</sup> Rather, we must be convinced that the district court's ultimate conclusion—that the plaintiff established a likelihood of confusion—is clearly erroneous.

[6] A review of the likelihood of confusion factors reveals the following: Isaly's trade dress merits only moderate protection, the design of the trade dress of both parties is somewhat similar, the products are identical, the retail channels and purchasers are identical, the advertising media is identical, Kraft's actions provide the basis for a finding of intent to benefit from Isaly's goodwill, and there is some evidence of actual confusion. Although some fact finders might not have necessarily found a likelihood of confusion, we are compelled to hold that the district court's finding is not clearly erroneous.<sup>72</sup>

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<sup>70</sup> *United States v. United States Gypsum Co.*, 333 U.S. 364, 395, 68 S.Ct. 525, 542, 92 L.Ed. 746, 766 (1948); accord *University of Georgia Athletic Assoc.*, 756 F.2d at 1543 (clearly erroneous standard presents "formidable challenge" to appellant seeking to overturn district court's finding of fact).

<sup>71</sup> *Freedom Sav. & Loan Assoc.*, 757 F.2d at 1186 (although district court clearly erred on one factor, its ultimate conclusion of likelihood of confusion was not clearly erroneous).

<sup>72</sup> See *John H. Harland Co.*, 711 F.2d at 980 ("although we would not necessarily have found a likelihood of confusion on these facts . . . we affirm").

The district court's finding that Isaly had established the requisite elements of a trade dress infringement case—inherent distinctiveness, nonfunctionality, and likelihood of confusion—is not clearly erroneous. The district court's verdict in favor of Isaly on the trade dress infringement claim is therefore affirmed.<sup>73</sup>

## II. Laches

[7] Kraft next contends that the district court abused its discretion when it refused to rule that laches barred Isaly from relief. To establish laches, a defendant must demonstrate 1) a delay in asserting a right or a claim, 2) that the delay was not excusable, and 3) that there was undue prejudice to the party against whom the claim is asserted.<sup>74</sup> The district court found that Isaly's delay in asserting its claim was reasonable<sup>75</sup> and that even if the delay had been unreasonable, it was excusable. The court also found that Kraft had suffered no prejudice as a result of Isaly's delay.

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<sup>73</sup> Kraft also challenges the district court's finding that Kraft infringed the registered trademarks of Isaly in violation of § 32(1)(a) of the Lanham Act. 15 U.S.C. § 1114(1)(a). Although the analysis in a § 43(a) claim is somewhat broader than that in a § 32(1) claim, *Sun-Fun Products, Inc.*, 656 F.2d at 192, our review of the evidence in the light of this principle convinces us that the district court's verdict in favor of Isaly on the § 32(1)(a) claim is not clearly erroneous. The verdict is therefore affirmed.

<sup>74</sup> *Citibank, N.A. v. Citibanc Group, Inc.*, 724 F.2d 1540, 1546 (11th Cir.1984), citing, *Environmental Defense Fund, Inc. v. Alexander*, 614 F.2d 474, 478 (5th Cir.), cert. denied, 449 U.S. 919, 101 S.Ct. 316, 66 L.Ed.2d 146 (1980). There is no argument that the delay in this case was so outrageous and unreasonable that laches may be established without a showing of prejudice. See *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1044-45 (3d Cir.), cert. denied, 459 U.S. 1087, 103 S.Ct. 571, 74 L.Ed.2d 933 (1982); *Conagra, Inc.*, 743 F.2d at 1517 n. 15.

<sup>75</sup> The court's finding that the delay was "reasonable" equates with a finding that there was no delay and that the first element of the laches defense had not been established.

Finally, the court noted that any prejudice Kraft did suffer was outweighed by the public interest in avoiding confusion.<sup>76</sup> On the basis of those findings, the court rejected Kraft's laches defense. Our review of that decision is circumscribed by the abuse of discretion standard.<sup>77</sup>

[8] In this case, the delay—the time between the point at which Isaly became aware of the Kraft wrapper and packaging and the point at which Isaly filed suit or notified Kraft that its wrapper and packaging infringed that of Isaly—was under two years. Kraft has cited no case in which a delay of less than two years was found to constitute laches. Indeed, the Court of Appeals for the Sixth Circuit recently held that, because the Lanham Act does not contain a statute of limitations, the period for analogous state law claims is to be used as a touchstone for laches.<sup>78</sup> The pertinent limitations period for this type of action in Florida is four years, over twice the length of time in issue here.<sup>79</sup>

Not only was Isaly's delay short, but Isaly provided an excuse for the delay that did occur. At the time Isaly became aware of Kraft's infringing packaging, Kraft was serving as Isaly's distributor in Florida. The Florida sales represented a large portion of Isaly's total sales. Threatening Kraft immediately with litigation would have jeopardized the entire Klondike operation.<sup>80</sup> Rather than

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<sup>76</sup>See *Conagra, Inc.*, 743 F.2d at 1517 ("although a defendant suffers some prejudice, the public interest in avoiding confusion might outweigh that prejudice"), citing, *James Burrough, Ltd. v. Sign of the Beefeater, Inc.*, 572 F.2d 574, 578 (7th Cir.1978).

<sup>77</sup>*Environmental Defense Fund, Inc.*, 614 F.2d at 478.

<sup>78</sup>*Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 365 (6th Cir.1985), cert. denied, 106 S.Ct. 2277, 90 L.Ed.2d 716 (1986).

<sup>79</sup>Fla.Stat. § 95.11(3).

<sup>80</sup>Relying on *Citibank, N.A.*, 724 F.2d at 1546, Kraft argues that Isaly did not have to undertake litigation to protect its rights; rather, a simple written or verbal objection would have sufficed. Although there is evidence that an Isaly employee

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threatening Kraft with a lawsuit, Isaly continued the distribution relationship while attempting to encourage Kraft to expand its distribution of the Klondike bar. Obviously, if Kraft expanded its distribution of the Klondike bar, it would have dropped its own product. Litigation would therefore have been unnecessary. The economic positions of the two firms dictated that Isaly approach the problem cautiously, which Isaly did. When Isaly realized that such a tack was going to be fruitless and that Kraft was committed to the Polar B'ar product, it instituted litigation promptly. Isaly's short delay was therefore excusable.<sup>81</sup>

Kraft contends that given the extensive prejudice it suffered as a result of Isaly's delay, its laches defense is valid notwithstanding the brevity of and the reason for the delay. Kraft argues that it has spent millions of dollars on the development and promotion of the Polar B'ar that it would not have spent had Isaly presented its claim immediately. The district court rejected this argument, finding instead that Kraft would have spent the money even if Isaly had

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made such an objection, we address the issue as if Isaly had made no objection.

It is likely that any pointed objection would have been the equivalent of filing a lawsuit as far as the effects on the relations between Kraft and Isaly are concerned. Kraft might well have viewed any objection as a threat of litigation and an attempt to strongarm Kraft into an expanded distribution agreement. Such a threat would undoubtedly chill the relations between Kraft and Isaly.

<sup>81</sup>This is not to say that a delay is excusable any time a party's immediate enforcement of its rights will cause it economic injury. In this case, however, Isaly's delay was short, and Isaly was attempting to avoid litigation and a breakdown in relations by seeking a solution that would make confrontation unnecessary.

notified it immediately.<sup>82</sup> As noted above, Kraft was well aware from the beginning that its Polar B'ar wrapper possibly infringed the Klondike wrapper, but this did not deter Kraft from spending money from the outset promoting and advertising that product.<sup>83</sup> Kraft was also aware that it was in Isaly's interest to avoid litigation or ill feelings and to continue the distribution arrangement. That Isaly filed suit when it did could not have come as a surprise to Kraft. Even after Isaly filed this action, Kraft continued to spend money promoting and advertising its Polar B'ar product. It therefore appears that Kraft was committed to the Polar B'ar product from the outset and believed it would prevail in any lawsuit challenging the product's wrapper and packaging.

The evidence supports the court's findings of reasonable and excusable delay and little or no prejudice from that delay. The court did not abuse its discretion in rejecting Kraft's laches defense.

### III. Scope of the Injunction

Kraft next challenges two portions of the district court's injunction. The injunction prohibits Kraft from marketing

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<sup>82</sup> In assessing the prejudice issue, the district court properly focused not on how much money Kraft spent, but on how much Kraft spent that it would not have spent had Isaly immediately informed Kraft of its objection. Moreover, unless Kraft was convinced that its product would not be successful unless packaged in the infringing trade dress, Kraft's expenditures to develop the product itself are irrelevant because they are unrelated to the package design. Those expenditures can be recovered no matter what trade dress is used on the packaging. The same is not true for money spent to develop or promote the infringing trade dress.

<sup>83</sup> The court found that Isaly learned of the Kraft trade dress when the Polar B'ar was introduced in 1980. Order at 27. Kraft cannot deny that it spent a large amount promoting the Polar B'ar before Isaly became aware of the Kraft trade dress. Kraft spent even more money before Isaly had a reasonable time to evaluate its rights.

"a five ounce chocolate covered ice cream bar bearing a label, or contained in a tray bearing a label, which features a picture, drawing or other representation of a polar bear"<sup>84</sup> and from marketing "a five ounce chocolate covered ice cream bar in pebbled foil wrappers bearing a label featuring the color royal blue".<sup>85</sup> Kraft argues that the injunction is overly broad. Kraft contends that because the trademark and trade dress infringement claims involve the overall appearance of the wrapper, it was improper for the court to isolate only two elements, the polar bear image and the royal blue color, and preclude Kraft from using those elements.<sup>86</sup> We review the district court's order only for an abuse of discretion; "[t]he trial judge's ability to formulate a decree tailored to deal with the violations existent in each case is normally superior to that of any reviewing court, due to his familiarity with the testimony and exhibits."<sup>87</sup>

#### A. The Polar Bear

[9] Kraft argues that Isaly has no right to the exclusive use of a polar bear in connection with the sale of ice cream novelties and that the injunction improperly precludes Kraft from using any polar bear image irrespective both of the polar bear's appearance and of whether the overall appear-

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<sup>84</sup>Order at 32. Isaly asserts that the district court's order effectively precludes Kraft from using the word mark "Polar B'ar" or any word mark that sounds or looks similar to the words "polar bear". We disagree. The court's order prohibits Kraft from using a polar bear *image*, it does not deal with word marks.

<sup>85</sup>*Id.*

<sup>86</sup>We disagree. It is within the power of a court of equity to fashion appropriate relief. An equity court is not confined merely to proscribing the use of a "confusingly similar" mark. Cf. *John H. Harland Co.*, 711 F.2d at 984-85. Moreover, at no point has Kraft suggested what it would consider appropriate injunctive relief.

<sup>87</sup>*United States v. Loew's Inc.*, 371 U.S. 38, 52, 83 S.Ct. 97, 105-06, 9 L.Ed.2d 11, 22 (1962).



ance of the wrapper is confusingly similar to the Klondike wrapper.<sup>88</sup> While Kraft may be correct that Isaly has no exclusive right to use a polar bear image, it is important to keep in mind that the injunction prohibits Kraft from using a polar bear image only on a five ounce chocolate-covered ice cream bar. Kraft is therefore free to use a polar bear image on other products,<sup>89</sup> and other competitors may use a polar bear image so long as their uses do not infringe Isaly's rights. Additionally, as the former Fifth Circuit noted:

An injunction can be therapeutic as well as protective. In fashioning relief against a party who has transgressed the governing legal standards, a court of equity is free to proscribe activities that, standing alone, would have been unassailable."<sup>90</sup>

Even though Isaly may have had no separate right to the use of the polar bear image in connection with five ounce chocolate-covered ice cream bars, the district court did not abuse

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<sup>88</sup> Kraft contends that it will be competitively disadvantaged if it is precluded from using a polar bear image on its ice cream products. Kraft, however, managed very well for almost half a century without using a polar bear image in connection with the sale of any of its products. See also *Chevron Chemical Co.*, 659 F.2d at 705 ("[A] competitive business, once convicted of unfair competition in a given particular, should thereafter be required to keep a safe distance from the margin line—even if that requirement involves a handicap as compared with those who have not disqualified themselves.") quoting, *Broderick & Bascom Rope Co. v. Manoff*, 41 F.2d 353, 354 (6th Cir.1930).

<sup>89</sup> Of course, Kraft cannot circumvent the intent of the court's order by selling a 4.9 ounce bar or a bar covered with artificial chocolate. Compliance with an injunction cannot be avoided by an overly literal or hypertechnical reading of the injunction. Cf. *McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 69 S.Ct. 38, 93 L.Ed. 599 (1949).

<sup>90</sup> *Kentucky Fried Chicken Corp.*, 549 F.2d 390, citing, *Loew's, Inc.*, 371 U.S. at 53, 83 S.Ct. at 106, 9 L.Ed.2d at 22-23; accord *Chevron Chemical Co.*, 659 F.2d at 705.



its discretion by precluding Kraft from using a polar bear image on the wrappers or trays<sup>91</sup> used to package its five ounce chocolate-covered ice cream bar.<sup>92</sup>

### B. Royal Blue Color

[10] A more difficult question is presented by Kraft's challenge of that part of the district court's order precluding Kraft from featuring the color royal blue on a textured foil wrapper. The general rule is that "no seller can foreclose others absolutely from using any particular color".<sup>93</sup> Rely-

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<sup>91</sup> Although the district court's analysis was directed primarily toward the wrappers of each product, it was not improper for the court to fashion an order that reaches the graphics on the six-pack trays as well. The end panel of the Klondike tray displays a reproduction of a portion of the Klondike wrapper and the end panel of the Polar B'ar tray displays graphics similar to those found on the Polar B'ar wrapper. The district court determined that to protect Isaly, Kraft should not be allowed to use a polar bear image on its trays. The district court did not abuse its discretion by so ordering.

<sup>92</sup> *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145 (5th Cir.1985), is not to the contrary. In *Conan*, the Fifth Circuit enjoined any use of the term "Conan" that conjured up any image of the Conan the Barbarian theme. The court chose, however, not to enjoin the use of the word "Conan" itself. We note, as did the Fifth Circuit, that the term "Conan" is a surname and can therefore be regarded as a descriptive term. *Id.* at 155. The polar bear image is, however, suggestive and therefore deserving of more protection. Moreover, there is evidence in the instant case that Isaly has developed a degree of association between itself and the polar bar image. The *Conan* court specifically found that there was no evidence that the term "Conan" alone had achieved any secondary meaning. *Id.* Moreover, the *Conan* court was fashioning injunctive relief rather than reviewing an order of a district court for an abuse of discretion. We defer to the district court's conclusion that broad injunctive relief is necessary to protect Isaly.

<sup>93</sup> *Falcon Rice Mill, Inc.*, 725 F.2d at 346.

ing on *Re Owens-Corning Fiberglas Corp.*,<sup>94</sup> Isaly argues that the Lanham Act does protect color alone. Even if we were to accept the logic of that decision, we would still preclude Isaly from attempting to monopolize the color royal blue because there is no evidence that the color royal blue can or does serve an origin indicating function in connection with the sale of ice cream products. Royal blue is a "cool color"; it is suggestive of coldness and used by a multitude of ice cream and frozen dessert producers. A court of equity may preclude an infringer from conduct that would otherwise have been unassailable, but because of the widespread use of the color royal blue and its inability to serve as an origin indicator,<sup>95</sup> any order precluding Kraft from using the color royal blue must be tailored to achieve the goal of protecting the consuming public from confusion.

With this standard in mind, we hold that the district court's order is overly broad. That order broadly precludes Kraft from featuring the color royal blue on a textured foil wrapper. We remand this matter to the district court with instructions to tailor a more narrow order.<sup>96</sup> In all other

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<sup>94</sup>774 F.2d 1116 (Fed.Cir.1985) (color pink when used in connection with insulation may be subject to protection).

<sup>95</sup>On this score, the polar bear image is different from the color royal blue. The polar bear image can and does serve a source indicating function. Moreover, the polar bear image is a far more memorable feature of the Klondike trade dress than the color royal blue.

<sup>96</sup>An appropriate order might prohibit Kraft from using the color royal blue on a textured silver foil wrapper for a five ounce chocolate-covered ice cream bar when that use causes the Kraft wrapper to be confusingly similar to the Klondike wrapper. Such an order, which is only a suggestion, would not "allow [Isaly] to preclude others absolutely from using [a] particular color". Cf. *Falcon Rice Mill, Inc.*, 725 F.2d at 346. Rather, it would preclude only Kraft from using the color royal blue, and it would so preclude Kraft only if Kraft's use led to confusing similarity. We leave the matter to the district court's discretion.

respects, those portions of the district court's order enjoining Kraft from using the polar bear image and the color royal blue are affirmed.<sup>97</sup>

#### IV. Monetary Relief

Kraft urges this court to rule that Isaly is, as a matter of law, entitled to recover no damages. We decline this invitation and remand the damages issue to the district court with instructions to consider the issues raised by Kraft involving whether Isaly is entitled to damages.

In a case such as this, a plaintiff may recover a monetary award only if the defendant infringed the plaintiff's rights, and the plaintiff is entitled to a monetary recovery as a result of that infringement. Only after these two elements are established need the court consider the amount the plaintiff should recover. It is clear that the trial established Kraft's infringement; it is also clear that the issue of the amount of damages was reserved for subsequent proceedings.<sup>98</sup> It is unclear whether the court ever determined that Kraft's infringement entitled Isaly to a monetary recovery.

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<sup>97</sup> On cross-appeal, Isaly contends that the court's order should be strengthened to prevent Kraft from continuing to infringe its registered trademarks. Specifically, Isaly suggests that the order should enjoin Kraft from using any trade dress that is "confusingly similar" to Isaly's. We find that the order crafted by the district court is sufficient to protect Isaly's rights.

Our refusal to alter the district court's order in this manner does not give Kraft *carte blanche* to use trade dress that is confusingly similar to Isaly's as long as Kraft does not offend the literal requirements of the order. To avoid burdening the order with details, the order will be read sufficiently broadly to protect Isaly's rights as recognized in this decision.

<sup>98</sup> Pre-trial Order dated January 31, 1984, at 1-2.

Neither the court's order of June 15, 1985,<sup>99</sup> nor the pretrial order answers this question.<sup>100</sup>

Because the district court did not clearly address the entitlement issue, that issue is not properly before us in our review of the district court's interlocutory injunctive order.<sup>101</sup> The entitlement issue involves questions of fact that we are not in a position to address. We therefore remand that issue to the district court.<sup>102</sup>

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<sup>99</sup> Order at 33-34. The damages section of the district court's order is merely a recitation of the law of damages generally and contains no discussion of entitlement. We decline to infer from the silence that the court rejected Kraft's argument that Isaly is not entitled to damages. Indeed the order specifically states that "all issues relating to Plaintiff's claim for damages" shall be decided at later proceedings.

<sup>100</sup> On the one hand, the pre-trial order states that at trial the court will consider the issues of liability and entitlement to damages while reserving any issue as to the appropriate amount of damages. Pre-trial Order at 1-2. On the other hand, the pre-trial order states that Kraft reserves "the right to contend that the question of its profits is not material or relevant to the issue of the plaintiff's entitlement to damages". *Id.* at 2. The pre-trial order therefore offers little guidance as to whether the court considered the entitlement issue.

<sup>101</sup> Even if it were clear that the district court had addressed the entitlement issue we would not review its decision at this time. Kraft is appealing not a final order but an interlocutory injunctive order. Our appellate jurisdiction is therefore provided by 28 U.S.C. § 1292(a)(1). In such circumstances, our review would be limited to the injunctive aspects of the court's order. *Cf. Western Elec. Co. v. Milgo Elec. Corp.*, 568 F.2d 1203, 1208 (5th Cir.), *cert. denied*, 439 U.S. 895, 99 S.Ct. 255, 58 L.Ed.2d 241 (1978).

<sup>102</sup> Our action should in no way be taken as an indication that Kraft's position is meritorious. That is a decision better left to the district court.

## V. Abandonment

On cross-appeal, Isaly argues that the district court erred in refusing to cancel Kraft's trademark for the word mark "Polar B'ar". Isaly asserted below and again on appeal that Kraft abandoned this trademark. We agree with Isaly and therefore reverse the ruling of the district court on this issue.

From 1929 to 1932, Southern Dairies, Inc. sold an ice cream novelty under the name "Polar B'ar". Based on that use, Southern was issued trademark registration No. 254,111 for the "Polar B'ar" word mark. The trademark registration was periodically renewed and, through merger, Kraft acquired it. There is no evidence that Kraft or its predecessor used the trademark at any time between 1932 and 1980. In late 1979 or early 1980, Kraft chose to use the name "Polar B'Ar" for its new ice cream novelty after a Kraft new product development manager noticed the name on a list of unused Kraft trademarks. Since 1980, Kraft has used the word mark "Polar B'ar" extensively in connection with the sale of ice cream novelties.

[11] Whether Kraft's Polar B'ar trademark should be cancelled due to abandonment presents a novel question of law. Section 45 of the Lanham Act provides:

A mark shall be deemed to be "abandoned"—(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Non use for two consecutive years shall be prima facie abandonment."<sup>103</sup>

Section 14 of the Lanham Act provides for the cancellation of abandoned marks.<sup>104</sup> In most cases, the abandonment issue involves a situation in which, at the time of the petition for cancellation, the use of the mark by its owner is nonexistent or virtually nonexistent. This case is novel because Kraft was using the mark extensively at the time Isaly petitioned

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<sup>103</sup> 15 U.S.C. § 1127.

<sup>104</sup> 15 U.S.C. § 1064.

for cancellation. Isaly does not argue that Kraft's current use of the mark is insignificant and, indeed it is beyond dispute that abandonment would be out of the question had Kraft used the mark continuously from 1932 to 1980 in the same manner that it is now using the mark. Rather Isaly contends that Kraft's nonuse between 1932 and 1980 caused the mark to be abandoned and Kraft's registration to be void. Isaly asserts that Kraft's subsequent use beginning in 1980 does not retroactively cure its past abandonment. We agree.

For purposes of illustration, we examine what rights Kraft had in the Polar B'ar trademark as of 1978. There is no question that Isaly would have been successful if it had sought to cancel Kraft's Polar B'ar trademark on abandonment grounds in 1978. At that time, neither Kraft nor its predecessor had used the mark since 1932, almost a half a century. Thus, Kraft had discontinued use and the only question would be whether Kraft intended to resume use. Kraft's nonuse establishes a *prima facie* case of abandonment,<sup>105</sup> thereby placing the burden on Kraft to establish its intent to resume use.<sup>106</sup>

At the outset, Kraft contends that it never intended to abandon the mark. That is, however, irrelevant. The proper inquiry is whether Kraft intended to resume meaningful commercial use of the mark, not whether it intended to abandon the mark.<sup>107</sup> Trademark rights flow from use, not from intent to protect rights. Were the rule otherwise, a party could hold trademarks that it never intended to use but

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<sup>105</sup> 15 U.S.C. § 1127 (two years nonuse establishes *prima facie* abandonment).

<sup>106</sup> *E. Remy Martin & Co. v. Shaw-Ross Int'l Imports, Inc.*, 756 F.2d 1525, 1532 (11th Cir.1985) (once *prima facie* abandonment established, burden of proof shifts to trademark holder to "demonstrate that circumstances did not justify the inference of intent not to resume use").

<sup>107</sup> *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 102-03 (5th Cir.1983).



did not want to allow others to use. The Lanham Act does not permit such warehousing of trademarks.

The only evidence Kraft presented to establish its intent to resume use was that it had renewed the registration of the mark in 1949 and 1969. Given the circumstances, however, this is sufficient to rebut the prima facie proof of abandonment.<sup>108</sup> Therefore, were we to turn the clock back to 1978 and examine Kraft's Polar B'ar trademark at that time, cancellation due to abandonment would be required because Kraft discontinued use with intent not to resume use.

Kraft asserts, however, that its resumption of use of the trademark in 1980 precludes our cancelling the registration of the mark. This argument can be broken down into two parts. First, Kraft may be arguing that its use in 1980 negatives the conclusion that as of 1978 Kraft did not intend to resume use. This argument deserves short shrift. That Kraft in fact used the mark in 1980 does not mean that Kraft intended to use the mark in 1978. Not until one of Kraft's personnel noticed the mark on a list of unused trademarks in 1979 did Kraft have any present intention to use the mark. Therefore, our previous conclusion that Isaly would have prevailed had it sought cancellation in 1978 is not changed by Kraft's resumption of use in 1980.

A more difficult question is whether in 1986 Kraft's 1980 use precludes our cancelling its registration because of abandonment. In *Mission Dry Corp. v. Seven-Up Co.*,<sup>109</sup> the Court of Customs and Patent Appeals held that, once abandoned, a mark may be cancelled even after its holder resumes commercial use.<sup>110</sup> The propriety of this position is bolstered by the analogous case presented when a competitor that has used the mark in question in the interim between the discontinuance and resumption of use by the holder of the regis-

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<sup>108</sup> *Id.* at 99-102, and cases cited therein; *E. Remy Martin & Co.*, 756 F.2d at 1533.

<sup>109</sup> 193 F.2d 201 (C.C.P.A.1951).

<sup>110</sup> *Id.* at 203-04.



tered trademark petitions for cancellation. In *Conwood Corp. v. Loews Theatres, Inc.*,<sup>111</sup> the Trademark Trial and Appeal Board was confronted with that scenario and ruled that if the holder's initial discontinuance of use is an abandonment, the competitor may cancel the registration notwithstanding subsequent use.<sup>112</sup> The rationale for the holding in the case involving an intervening use by a competitor makes clear that cancellation is proper even in the absence of such a use. In a case involving intervening use, the competitor's right to cancel the registration flows not from the competitor's use of the mark but from the holder's abandonment. Irrespective of whether a competitor has used the mark in question, a registered trademark, once abandoned, may be cancelled even after the holder resumes use of the mark.<sup>113</sup>

The ruling of the district court denying Isaly's petition to cancel Kraft's trademark registration is therefore reversed.<sup>114</sup>

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<sup>111</sup> 173 U.S.P.Q. 829 (T.T.A.B.1972).

<sup>112</sup> That the holder may have resumed use before the competitor petitioned for cancellation is irrelevant; the rights, lost as a result of abandonment, are not revived by a subsequent use. *Id.* at 830.

<sup>113</sup> See also Callmann, *The Law of Unfair Competition, Trademarks, and Monopolies* § 19.67, at 276 (4th Ed.1983). Because the Polar B'ar trademark had retained no goodwill in 1980 from its use between 1929 and 1932, we need not decide whether a different conclusion would be necessary if the mark still possessed goodwill from its previous use.

<sup>114</sup> This is not to say that Kraft has no rights in the mark "Polar B'ar". To the contrary, Kraft has all rights that normally flow from the use of an unregistered mark. *Id.* Moreover, Kraft is free to register the Polar B'ar word mark, but unless and until it successfully does so, it will not be able to take advantage of the additional rights provided for trademarks registered under the Lanham Act.

### CONCLUSION

We affirm the district court's finding that Kraft infringed Isaly's trade dress rights under § 43(a) of the Lanham Act and Isaly's trademark rights under § 32(1)(a) of that act. We also affirm the district court's rejection of Kraft's laches defense. The court's injunctive order is affirmed except for that portion of the order prohibiting Kraft from featuring the color royal blue on an ice cream bar wrapper. With respect to that portion of the order, we reverse and remand the matter to the district court with instructions to tailor a more narrow order that is not inconsistent with this opinion. We reverse the court's conclusion that the Polar B'ar trademark registration should not be cancelled. We do not reach the issue of Isaly's entitlement to damages, we leave the initial determination on that issue to the district court.

AFFIRMED in part, REVERSED in part and REMANDED.

## **APPENDIX B**

**OPINION OF THE DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF FLORIDA**



**OPINION OF THE DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF FLORIDA**

**The ISALY COMPANY, Plaintiff,**

**v.**

**KRAFT, INC., Defendant.**

**No. 82-517 Civ-T-10.**

**United States District Court,  
M.D. Florida,  
Tampa Division.**

**July 15, 1985.**

Manufacturer brought action against competitor alleging trademark and trade dress infringement as well as unfair competition and dilution under Florida law. The District Court, Hodges, Chief Judge, held that competitor infringed trade dress and trademark of manufacturer for ice cream bar wrapper.

Ordered accordingly.

**1. Trade Regulation Ⓒ=345**

Term "trade dress" refers to total image of product, and includes features such as size, texture, shape, color or color combinations, graphics or even particular sales techniques.

See publication Words and Phrases for other judicial constructions and definitions.

**2. Trade Regulation Ⓒ=344, 348**

To prevail on a trade dress infringement claim, plaintiff must establish that trade dress had quality of inherent distinctiveness or otherwise acquired secondary meaning in market place, that relevant features of trade dress were not merely or wholly functional, and that defendant's product

has trade dress which is confusingly similar to plaintiff's trade dress.

### 3. Trade Regulation ¶43

In determining whether plaintiff's trade dress is inherently distinctive and whether plaintiff then need not prove secondary meaning to state claim for trade dress infringement, court must consider whether it is a common basic shape or design, whether it is unique or unusual in particular field, and whether it is mere refinement of commonly adapted and well-known form of ornamentation for particular class of goods viewed by the public as a dress or ornamentation for goods.

### 4. Trade Regulation ¶356

Combination of ice cream bar's size, silver, blue and white wrapper, pebbled texture of foil, polar bear and sunburst images and their arrangement on wrapper, as well as style of printing, created distinctive visual impression; thus, manufacturer was not required to demonstrate secondary meaning for purposes of proving trade dress infringement.

### 5. Trade Regulation ¶587

Secondary meaning of trade dress can be proved by either direct or circumstantial evidence.

### 6. Trade Regulation ¶349

In determining whether trade dress has acquired secondary meaning for purposes of determining trade dress infringement, district court should consider length of time and manner of its use, nature and extent of its use, and efforts made in direction of promoting conscious connection, in public's mind, between mark and particular source of origin.

### 7. Trade Regulation ¶587

Evidence of long-time use of various features on ice cream bar wrapper, together with evidence of sales, advertising and consumer recognition, pointed to acquisition of secondary

meaning by the wrapper in a certain market, for purposes of establishing trade dress infringement.

#### 8. Trade Regulation Ⓒ413

Trade dress is protectable under the Lanham Act [15 U.S.C.A. § 1051 et seq.] if, taken as a whole, it is primarily nonfunctional.

#### 9. Trade Regulation Ⓒ413

Fact that individual elements of packaging are functional does not render package as a whole incapable of protection under the Lanham Act [15 U.S.C.A. § 1051 et seq.].

#### 10. Trade Regulation Ⓒ413

In determining whether trade dress is primarily nonfunctional, for purpose of determining protection under Lanham Act [15 U.S.C.A. § 1051 et seq.], test is whether upholding exclusive right to use trade dress as a whole would hinder effective competition by others.

#### 11. Trade Regulation Ⓒ413

Factors to be taken into account in determining whether trade dress is primarily nonfunctional, for purposes of determining protection under Lanham Act [15 U.S.C.A. § 1051 et seq.], are whether particular design is superior, whether there are alternative trade dress configurations available, and whether particular design is comparatively simple or cheap.

#### 12. Trade Regulation Ⓒ432

Tray and plastic overwrap elements of trade dress for ice cream bars were basically functional and therefore not subject to protection under the Lanham Act [15 U.S.C.A. § 1051 et seq.] where tray offered stability to product while in transit, storage or on display, tray provided space to promote and describe product as well as location for coupons, and clear plastic overwrap permitted consumer to view product.



### 13. Trade Regulation Ⓒ=589

Evidence of variety of other foil ice cream wrappers, which were different from ice cream bar wrapper, served to demonstrate that giving manufacturer of ice cream bar exclusive right to its form of wrapper would not hinder effective competition and that alternative trade dresses were available, for purposes of determining protection under Lanham Act [15 U.S.C.A. § 1051 et seq.]

### 14. Trade Regulation Ⓒ=349

Facts that trade dress was relatively strong, that labels of trade dress for ice cream bars were similar in design, that both parties offered identical products in same retail outlets to same purchasers for same use, that they both advertised on television and in newspapers, that defendant manufacturer intended to emulate if not infringe, and that there was some indication of actual confusion established a likelihood of confusion for purposes of determining trade dress infringement.

### 15. Trade Regulation Ⓒ=413

Ice cream bar wrapper was entitled to protection under Lanham Act [15 U.S.C.A. § 1051 et seq.] where wrapper was inherently distinctive and had acquired secondary meaning, features of wrapper taken as a whole were primarily non-functional and competitor's wrapper was confusingly similar. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

### 16. Trade Regulation Ⓒ=331

To recover on claim of trademark infringement, manufacturer must have validly registered trademark. Lanham Trade-Mark Act, § 32(a), 15 U.S.C.A. § 1114(a).

### 17. Trade Regulation Ⓒ=354

Manufacturer of ice cream bars was entitled to prevail on claim of infringement of trademark "Klondike" for ice cream bars where manufacturer had proprietary interest in registered trademarks, and there was a likelihood of confus-

ion between trade dress of manufacturer's and competitor's two products.

**18. Equity ⇨72(1)**

To establish laches, defendant must demonstrate delay in asserting right or claim, that delay was not excusable, and that delay caused defendant undue prejudice.

**19. Equity ⇨71(2), 72(1)**

Test for determining laches is flexible, and doctrine is applied in case in which plaintiff's delay has been so outrageous, unreasonable or unexcusable as to constitute virtual abandonment, and in case in which delay is not so unreasonable, and defendant must show a type of prejudice leading to estoppel.

**20. Trade Regulation ⇨387**

Permitting less than two years to go by before filing suit for trade dress and trademark infringement was not an unreasonable delay precluding, on ground of laches, manufacturer from bringing suit.

**21. Trade Regulation ⇨584**

There was no evidence to support competitor's assertion that manufacturer's knowledge and silence regarding alleged trade dress and trademark infringement amounted to consent for competitor to use trade dress or trademark.

**22. Trade Regulation ⇨376**

To establish fraud in obtaining trademark registrations, competitor must prove that manufacturer made false material statement of fact which could have constituted grounds for denial of registrations had the truth been known.

**23. Trade Regulation ⇨599**

Competitor failed to prove that manufacturer of ice cream bars made false, material statement of fact in obtaining trademark registrations precluding manufacturer on

grounds of fraud and unclean hands from bringing action for trade dress and trademark infringement.

**24. Trade Regulation ⇨599**

Competitor failed to make showing that manufacturer filed suit alleging trademark and trade dress infringement as an improper attempt to monopolize relevant market.

**25. Trade Regulation ⇨75**

Strict proof is required to establish abandonment of trademark registration.

**26. Trade Regulation ⇨75**

Manufacturer was not entitled to have trademark of competitor cancelled on basis of abandonment where after assignment of right to mark, competitor continuously renewed federal registration and there was no evidence that competitor intended to abandon mark since time it was acquired.

**27. Trade Regulation ⇨674, 728**

Under Lanham Act [15 U.S.C.A. § 1117], successful recovery of competitor's profits, any damages sustained by manufacturer and costs of action is cumulative.

**28. Trade Regulation ⇨673**

Manufacturer need not demonstrate any actual damage in order to obtain accounting for profits in trademark infringement action.

**29. Trade Regulation ⇨675**

In order to recover damages under Lanham Act [15 U.S.C.A. § 1117], manufacturer must show it suffered actual damages and must prove lost sales and that loss was caused by competitor's actions. Lanham Trade-Mark Act, § 36, 15 U.S.C.A. § 1117.

**30. Trade Regulation ⇨683, 684**

Award of up to three times amount of profits made by competitor because of trademark or trade dress infringement is discretionary and may be based on finding of willfulness;

however, it may not be punitive and must be based on actual showing of harm.

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Gilson & Lione, Ltd., Chicago, Ill., for defendant.

### ORDER

**HODGES, Chief Judge.**

This action came before the Court for a nonjury trial. In accordance with Rule 52(a), F.R.Civ.P., the following shall constitute the Court's Findings of Fact and Conclusions of Law:

The Plaintiff, Isaly Company, Inc. (Isaly) is a Delaware corporation with its principal place of business in Clearwater, Florida. The Defendant, Kraft, Inc. (Kraft) is a Delaware corporation with its principal place of business in Glenview, Illinois. The Court has jurisdiction pursuant to 28 U.S.C. § 1338 and 15 U.S.C. § 1121.

The parties are competitors in the manufacture and sale of five ounce, square, chocolate-covered ice cream bars, the KLONDIKE and the POLAR B'AR, respectively. The packaging for their products is the focal point of their dispute. Specifically, Isaly asserts: Count 1—that Kraft's packaging constitutes a false designation of origin in violation of 15 U.S.C. § 1125(a); Count 2—infringement of registered trademarks covering Isaly's label and package designs in violation of 15 U.S.C. § 1114(a); Count 3—common law unfair competition; Count 4—dilution of Isaly's trade dress rights in violation of Florida Statute Section 495.151 *et seq.*;

and Count 5—statutory unfair competition in violation of Florida Statute Section 501.201, *et seq.*

Kraft denies all of Isaly's claims and asserts the affirmative defenses of laches, acquiescence, and fraudulent trademark registrations. Kraft also counterclaims for cancellation of Isaly's trademark registrations and for damages.<sup>1</sup>

### BACKGROUND OF THE DISPUTE

In 1928 the Isaly Company was a family owned dairy business operating in Eastern Ohio and Western Pennsylvania. It began manufacturing five ounce chocolate-covered ice cream bars and sold them under the name KLONDIKE in family owned "deli's." In 1972 Isaly was purchased by an investment group headed by Gaylord Lamond. Five years later that group sold its interest in Isaly to the Clabir Corporation. In October 1981 and in May 1982 Clabir sold the Isaly "deli's," but retained the Isaly Company, Inc., and its business of manufacturing and selling Klondike bars.

Prior to May 1978, the Klondike bar was sold in a tri-state area comprising Western Pennsylvania, Eastern Ohio and Northern West Virginia. The product was advertised in

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<sup>1</sup>At trial Isaly moved to amend its complaint to conform to the evidence to include a request for cancellation of Kraft's trademark for POLAR B'AR on grounds of abandonment. Kraft moved to amend its answer to include the affirmative defenses of unclean hands, and trademark and trade dress misuse. Upon due consideration, the motions to amend are now GRANTED and the pleadings of the parties are so amended.

Subsequent to the submission of the parties' proposed findings of fact and conclusions of law, the Plaintiff filed an objection to a photograph included in Kraft's proposed findings. The photo features the various versions of the Klondike bar and the Polar B'ar manufactured and sold by the parties at the time of trial. The photo merely recreates evidence already admitted at trial. Upon due consideration the objection is OVERRULED.

newspapers and in point-of-sale materials in stores, both of which featured a polar bear emblem found on the bar's wrapper. The Klondike bar was also advertised on television. The commercial featured a prospector and a polar bear in a supermarket.

In late 1978, Isaly began to investigate the possibility of expanding the market for the Klondike. It planned to introduce the bar through distributors into supermarkets and convenience stores in various expansion markets.

Kraft is an international manufacturer and distributor of food products. A division of Kraft, the Dairy Group, is responsible for Kraft's brandname dairy products which are marketed principally under the brandnames "Sealtest" and "Breyers." Through a predecessor in interest, Kraft adopted the Sealtest trademark in 1935. The mark is often featured on Kraft's ice cream products. Since 1970, Kraft and its Dairy Group, have distributed ice cream products made by other companies in addition to its own.

In September 1978, Teck Heck, Isaly's marketing consultant, met with Robert Zogby, Vice President of Sales and Marketing of the Kraft Dairy Group, concerning a distribution arrangement between the parties. They orally agreed that Kraft would become Isaly's exclusive distributor for the Klondike bar in Florida. Isaly would be responsible for advertising the Klondike, and Kraft would be responsible for retail chain sales authorizations, distribution and store coverage, including installation of point-of-sale materials.

In early 1979, Kraft began distributing the Klondike in Florida. The parties stipulate that the introduction of the bar into the Florida market was very successful. In October of that year representatives of Isaly and Kraft met again and discussed Kraft's interest in purchasing Isaly or in having Isaly pack Klondike bars for Kraft under the Sealtest name. James Santerre, President of Isaly, testified that Isaly wanted Kraft to expand its distribution of the Klondike, but that Kraft was reluctant to do so without a



proprietary interest in the product. Kraft's proposals to purchase Isaly, or have Isaly contract-pack the Klondike, were rejected by Isaly.

From 1978 to the present the Klondike bar has been wrapped in pebbled foil presenting a 3 X 3 inch silver panel featuring a white and blue polar bear standing on all fours before a sunburst design. KLONDIKE was written in large letters beneath the bear and "Isaly's" appeared in small script lettering to the right of the bear. Originally, the Klondike bar was available in two versions, plain and "krispy." On the wrapper of the plain version, the sunburst designs and the name KLONDIKE were white and white and blue, respectively. The "krispy" version featured a yellow sunburst and a yellow and blue "Klondike" and polar bear. Isaly subsequently added a chocolate version which features a brown and blue sunburst and KLONDIKE on the wrapper. The Klondike bars were sold in a silver tray which also featured a large numeral "6" and was overwrapped in transparent plastic.

The "plain" Klondike bar has been wrapped in pebbled foil featuring the colors silver and blue since the 1940's. Since at least 1956 the colors silver, white and blue, KLONDIKE, "Isaly's" and a polar bear have been featured on the wrapper. Beginning in 1963 the Klondike bar was available in a six pack arrangement, and between 1963 and 1978 some six packs were in overwrapped trays while other six packs were simply overwrapped in clear plastic without a tray. In 1978 Isaly modernized the bar's wrapper and tray. The colors, images and words on the wrapper remained the same; however, KLONDIKE was emphasized, "Isaly's" was reduced in size and the stance of the polar bear was altered. In addition, since that time, all six packs have been sold in overwrapped trays.

In late 1979, the same year Kraft began distributing KLONDIKES in Florida, Kraft began to develop its own five ounce, chocolate-covered ice cream bar. At the time there were three other ice cream bars available in the market in



addition to the Klondike bar: the Eskimo Pie Penguin Bar, the Yukon Bar and the Gold Rush Bar.

Kraft's new bar was to be named POLAR B'AR. Don Herr, the Dairy Group's new product development manager, testified that he found the name on a list of unused Kraft trademarks. POLAR B'AR had been the name of an ice cream bar sold by a predecessor of Kraft, Southern Dairies, Inc. (Southern), from 1929 to 1932. The rectangular bar made by Southern was wrapped in pebbled silver foil, featured "Polar B'ar" in gold lettering, and bore the image of a white polar bear in an arctic setting. The trademark registration was periodically renewed and, through merger, became owned by Kraft. Southern also obtained a federal trademark registration for the polar bear representation on the wrapper No. 257,988. However, that registration expired in 1969.

In February 1980, Kraft hired Thomas J. Paul, Inc., a design firm, to design packaging for the new Polar B'ar ice cream product. The Paul firm stated in a memo to Kraft that the proposed ice cream bar would be "overwrapped with foil in the manner of the Isaly's Klondike product, complete samples of which have been supplied to us. Client will also pack his product six packages to a board tray with a cellophane overwrap as per the Isaly's sample." (Plaintiff's Trial Exhibit 98A).<sup>2</sup>

In July-August, 1980 Kraft introduced its Sealtest Polar B'ar into the market. Kraft was still the exclusive distributor of Isaly's Klondike bar in Florida. At the time of its introduction the Polar B'ar was wrapped in pebbled foil and presented a 3 x 3 inch silver panel with a white polar bear standing on all fours contained within a triangular color panel in the bottom corner of the bar. POLAR B'AR was written in large block letters diagonally across the center of the bar. POLAR B'AR was written in large block letters diagonally across the center of the bar. "Sealtest," in script,

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<sup>2</sup> Ultimately, the Polar B'ar wrapper approved by Kraft was designed by another graphic design firm, Ford-Byrne.

appeared in a red box in the upper left corner, and the phrase "made with real milk chocolate" was contained in a red circle at the bottom left corner of the bar.

In 1980 Polar B'ars were sold in two forms: plain and "crunchy." The colors of the triangle containing the bear and POLAR B'AR varied with each version. On the plain version, the triangle and POLAR B'AR were royal blue. On the "crunchy" they were red. At the time of trial Kraft sold four versions of the bar. In addition to plain and "crunchy," Polar Ba'r was available in chocolate and mint flavors. On those versions the triangle and the brandname were colored in brown and green, respectively.<sup>3</sup>

Polar B'ars were sold in a six pack tray overwrapped in clear plastic. The tray was silver and displayed a large numeral "6" between the brandname and the product description. Kraft promoted the bar by television and newspaper coupon advertising. Its television commercial featured the image of a bear, punctuated by the bear's roar while transitioning to the Polar B'ar wrapper.

Kraft was the exclusive distributor of the Klondike bar in Florida from 1979 until 1982. On February 24, 1982 Kraft notified Isaly in a letter of its intention to terminate its distribution of KLONDIKE as of April 23, 1982. On May 10, 1982 Isaly initiated this suit.

### TRADE DRESS INFRINGEMENT

As stated previously, Isaly's complaint is framed in multiple counts advancing several legal theories. However, the essence of the case is the claim for trade dress infringement. Trade dress infringement is an implied federal cause of

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<sup>3</sup>In 1985 Kraft introduced two new versions of Polar B'ar, heavenly hash and peanut butter crunch. The triangle and the POLAR B'AR are light blue and golden brown, respectively.

action based upon that portion of the Lanham Act which provides:

Any person who shall . . . use in connection with any goods or services, or any container or containers for goods . . . any false description or representation, including words or other symbols tending falsely to describe or represent the same, . . . shall be liable to a civil action by . . . any person who believes that he is or is likely to be damaged by the use of any such false description or representation. Section 43(a) of the Lanham Act, 15 U.S.C.A. § 1125. See *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir.1983). "[The Eleventh Circuit] and the former Fifth Circuit have held that § 43(a) creates a federal cause of action for trade dress infringement.' citing *Original Appalachian Artworks, Inc. v. Toy Loft, Inc.*, 684 F.2d 821, 830-32 (11th Cir.1982); *Sun-Fun Products, Inc. v. Suntan Research & Development, Inc.*, 656 F.2d 186, 192 (5th Cir.1981).

[1, 2] The term "trade dress" refers to the total image of a product. It includes features such as size, texture, shape, color or color combinations, graphics or even particular sales techniques. *John H. Harland Co., supra*, at 980 citing *SK & F Co. v. Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055 (3d Cir.1980). To prevail on a trade dress infringement claim, a plaintiff must establish the following elements: that its trade dress has a quality of inherent distinctiveness or has otherwise acquired a secondary meaning in the market place; that the relevant features of its trade dress are not merely or wholly functional; and that the defendant's product has trade dress which is confusingly similar to the plaintiff's trade dress. *Brooks Shoe Mfg. Co., v. Suave Shoe Corp.*; 716 F.2d 854, 857 (11th Cir.1983).

### INHERENT DISTINCTIVENESS

In *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695 (5th Cir. Unit A 1981) the Fifth Circuit

determined that a plaintiff in a trade dress infringement action need not prove secondary meaning when its trade dress is inherently distinctive. Although *Chevron Chemical* is not binding precedent in this Circuit, the Eleventh Circuit has cited it with approval in five recent decisions. See *University of Ga. Athletic Ass'n. v. Laite*, 756 F.2d 1535 (11th Cir.1985); *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1513 n. 5 (11th Cir.1984); *Brooks Shoe Mfg. Co. v. Suave Shoe Corp.*, 716 F.2d 854, 857 n. 9 (11th Cir.1983); *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 981 n. 5 (11th Cir.1983); *Original Appalachian Artworks, Inc. v. Toy Loft, Inc.*, 684 F.2d 821, 831 N. 14 (11th Cir.1982).

[3] Distinctiveness has been defined as a term used to indicate that a mark or dress serves as a symbol of origin and thus is protectable. *Sicilia DI R. Biebow & Co. v. Cox*, 732 F.2d 417 (5th Cir.1984).

Fanciful and arbitrary marks are considered inherently distinctive. 'A fanciful mark is a word which is coined for the express purpose of functioning as a trademark . . . . An arbitrary mark consists of a word or symbol which is in common usage . . . , but which is arbitrarily applied to the goods . . . .' The same principles apply in the context of trade dress, although selection is from designs and configurations, not words. Thus, a trade dress feature is distinctive if it is arbitrary or fanciful, and not descriptive or functional. Functional features cannot be protected, and merely descriptive features must have acquired secondary meaning before qualifying for protection. *Id* at 425 (citations omitted).

In determining whether the Plaintiff's trade dress is inherently distinctive the Court must consider the following factors:

- 1) whether it [is] a 'common' basic shape or design, 2) whether it [is] unique or unusual in a particular field, [and] 3) whether it [is] a mere refinement of a commonly-

adapted and well known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods. *Brooks, supra*, at 857-58 citing *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342 (C.C.P.A.1977).

Isaly's Klondike bar trade dress may be broken down into two elements: (1) the wrapper containing the ice cream bar, including the graphics on the wrapper; and (2) the overwrapped tray into which the wrapped bars are placed. Neither the tray nor the wrapper alone (exclusive of the graphics) are inherently distinctive. Each is a mere refinement of storage and display packaging commonly associated with ice cream products. The overwrapped tray is different from the often used closed carton, but is not unique. Similarly, the Klondike bar wrapper is merely a variation of foil wrapping which is commonly used to contain ice cream products.

[4] However, there are features of the wrapper which are arbitrary and serve no function either to describe the product or assist in its effective packaging. *Chevron, supra*, at 702. The Klondike bar wrapper is a complex composite of size, color, texture and graphics which must be considered together or as a whole, not separately, in determining distinctiveness. The combination of the bar's size, the silver, blue and white wrapper, the pebbled texture of the foil, the polar bear and sunburst images and their arrangement on the wrapper, and the style of the printing, all create a distinctive visual impression. See *Brooks, supra*, at 858 citing *Chevron, supra*, at 703. This overall visual impression has remained consistent over the years despite moderizations of the wrapper.

The Plaintiff especially urges that Isaly's polar bear logo itself renders the wrapper inherently distinctive. To refute this assertion the Defendant introduced third party ice cream packages which depict a variety of polar bears. However, all of those packages and wrappers differ from the Klondike bar wrapper with respect to size, substance, type of ice cream product, color and words. Third party users that

incorporate isolated features of the Klondike bar wrapper, together with additional distinctive characteristics of their own, do not render Isaly's trade dress indistinct. The distinctive nature of the Klondike wrapper is based on the overall effect of its combination of features; but the polar bear is clearly the dominant, visual component of the KLONDIKE wrapper, and is distinct.

As a further rebuttal of Isaly's assertion of distinctiveness, Kraft introduced into evidence a variety of foil ice cream wrappers featuring the colors silver, white and blue, and arctic motifs. However, the existence of other piece-meal combinations of size, texture, colors, images and printing on ice cream bar wrappers merely supports the conclusion that the unique arrangement of the various elements featured on the Klondike wrapper are arbitrary and therefore distinctive.

In sum, viewing the wrappers containing the different versions of the Klondike bar, the Court finds that the collocation of features on the "plain" wrapper renders it the most distinctive of the Klondike wrappers. This determination does not diminish the distinctive nature of the wrappers on the remaining versions, but simply serves to focus on that combination of features which has been in use by Isaly since 1959.

The Court's determination that the Klondike bar wrapper is inherently distinct eliminates the necessity that Isaly demonstrate secondary meaning. *Chevron, supra*. Nevertheless, the evidence shows that the wrapper has acquired a secondary meaning, and had done so prior to the introduction of Kraft's Polar B'ar.

### SECONDARY MEANING

[5, 6] The purpose of trade dress is to enable and to encourage consumers to distinguish between similar goods or services supplied from different sources. Through extensive use by a single supplier, a trade dress becomes recognized by the public as an identification of the source of the product. A



secondary meaning is acquired when consumer identification of the trade dress and its source is achieved. Secondary meaning can be proved by either direct or circumstantial evidence. The Court should consider the following factors in determining whether a trade dress has acquired secondary meaning:

(1) the length of time and manner of its use, (2) the nature and extent of its use and (3) the efforts made in the direction of promoting a conscious connection, in the public's mind, between the mark and a particular source of origin. *Brooks Shoe Mfg. Co., Inc. v. Suave Shoe Corp.*, 533 F.Supp. 75, 78 citing *Volkswagen-werk-Aktiengesellschaft v. Rickard*, 492 F.2d 474, 478 (5th Cir.1974); 3 Callman, *Unfair Competition, Trademarks and Monopolies* § 77.3 at 349 (3d ed. 1969).

The Klondike bar has been sold in areas of Pennsylvania and Ohio since 1931. The Plaintiff introduced into evidence a brochure printed by Isaly to commemorate its 25th Anniversary (Plaintiff's Trial Exhibit #12). The brochure lists all of Isaly's retail outlets as of 1956, the majority of which were concentrated in Pennsylvania. The brochure also features the Klondike bar. The texture, size, colors, images and printing on the 1956 Klondike bar have remained virtually the same to the present day.

Advertisement of the bars prior to 1980 usually featured the wrapper and emphasized the connection between the product and the polar bear. The scope, nature and duration of advertising are factors that aid the court in determining whether a trade dress has received secondary meaning. The ultimate question in considering evidence of promotion, however is not merely the extent of the promotional efforts, but their effectiveness in creating an association between the trade dress and Isaly. *Aloe Creme Laboratories, Inc. v. Milsan, Inc.*, 423 F.2d 845, 850 (5th Cir.1970). The effectiveness of Isaly's advertising is substantiated by evidence of consumer recognition of the product. Isaly introduced as evidence letters it had received from consumers after the introduction



of the Polar B'ar in its new expansion markets. Many of the letters are from former residents of Pittsburgh who recalled eating the Klondike bar in their childhood.

In the Isaly fiscal year ending January 31, 1980, over half a million cases of Klondike bar were sold in Pennsylvania, New Jersey, Florida, Ohio and the Baltimore-D.C. markets. Sales reached nearly five million in that year and an average of 169 cases of the product were sold per thousand households in Western Pennsylvania. By comparison, during that same year in Florida, Isaly achieved a sales level of 42 cases per thousand households.

The letters from consumers and the sales figures establish that the Klondike bar was extremely popular, particularly in Pennsylvania, and had become something of an institution in Pittsburgh. The Plaintiff introduced a book of Pittsburgh expressions which defines Klondike as "a popular ice cream treat, known to have been airlifted to distant parts of the United States by dislocated Pittsburghers hooked on its unique taste." (Plaintiff's Trial Exhibit #74).

[7] The long time use of the various features on the Klondike bar wrapper together with the evidence of sales, advertising and consumer recognition raises the inference that the public identifies Isaly's Klondike bar with Isaly. In particular, the evidence clearly points to the acquisition of secondary meaning by the Klondike wrapper in the Western Pennsylvania market well before the introduction of Kraft's Polar B'ar in 1980.

### FUNCTIONALITY

[8-11] Trade dress is protectable under the Lanham Act if, taken as a whole, it is primarily nonfunctional. The fact that individual elements of packaging are functional does not render the package as a whole incapable of protection. See e.g. *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204 (2d Cir.1979) cited with approval in *John H. Harland, Co., supra* at 982-88 n. 27. "The line between

functionality and nonfunctionality is not brightly drawn in every case." *Truck Equipment Service Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1218 (8th Cir.1975). In determining whether trade dress is primarily non-functional, the test is whether upholding an exclusive right to use the trade dress as a whole would hinder effective competition by others. Factors to be taken into account are whether a particular design is superior, whether there are alternative trade dress configurations available, and whether a particular design is comparatively simple or cheap. *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1339-41 (C.C.P.A.1982); *In re World's Finest Chocolate, Inc.*, 474 F.2d 1012, 1014 (C.C.P.A.1973).

Some of the features of the Klondike bar's packaging are functional. The open six bar tray offers stability to the product while it is in transit, in storage or on display. The tray is clearly superior protection to merely wrapping six bars in plastic. However, it offers less stability and protection than a closed carton. The tray also provides space to promote and describe the product as well as a location for coupons. The clear plastic overwrap provides only slight stability and protection, but permits the consumer to view the product—a significant disadvantage of a closed carton. The foil wrapper protects the ice cream bar and also provides a means of holding the ice cream while it is eaten. The fold technique, a deadfold wrap, is less secure than a heat sealed wrapper, but serves to adequately contain the product and is easy to open or reseal. In addition, there was evidence that the deadfold wrap is cheaper than a heat sealed wrapper, and that the foil of the wrapper tends to denote coldness and quality.

[12, 13] Given those considerations, the tray and plastic overwrap elements of Isaly's trade dress are basically functional. As functional components they are not subject to protection under the Lanham Act. However, despite its functional features, the Klondike foil wrapper, with its graphics, is primarily nonfunctional. The pebbled texture of the foil and the colors, images and lettering featured on the

wrapper are all nonfunctional. The Plaintiff does not seek to claim any exclusive right to all dead fold foil wrappers, but merely claims it is entitled to protection of the combination of texture and graphics which comprise its foil wrapper. The evidence of a variety of other foil ice cream wrappers which are different from the Klondike wrapper serves to demonstrate that giving the Plaintiff an exclusive right to its form of wrapper would not hinder effective competition and that alternative trade dresses are available.

### LIKELIHOOD OF CONFUSION

"The touchstone under Section 43(a) is . . . similarity in the overall trade dress of the products." *Sun-Fun Products, supra*, 656 F.2d at 192. To that end, the Court now inquires into the likelihood of confusion between the parties' trade dress.

In determining whether there is a likelihood of confusion the finder of fact evaluates a variety of factors: the type of trade dress, the similarity of design, the similarity of the product, the similarity of the advertising media used, the defendant's intent and actual confusion. *Exxon Corp. v. Texas Motor Exchange*, 628 F.2d 500, 504 (5th Cir.1980); *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44, 45 (5th Cir.1975).

The first factor to be considered is whether the Plaintiff's trade dress is strong or weak. Based upon the Court's determination that the Klondike bar wrapper is inherently distinctive and/or has acquired secondary meaning, the Plaintiff has a strong trade dress.

The similarity of design test has been described as nothing more than a subjective eyeball test. The similarity of design is determined by considering the overall impression created by the mark as a whole rather than simply comparing individual features of the marks. *Exxon Corp. v. Texas Motor Exchange, supra*, at 505 (citations omitted).

Examination of the parties' labels for the plain bar show that both are of identical size, made of textured or stippled aluminum foil, silver in color, printed primarily with blue and white inks. Both display on a 3 x 3 inch panel a side view of a white polar bear on all fours over the product name printed in large block letters, accompanied by the company name (Sealtest or Isaly's) in much smaller script lettering. Isaly's bear logo is depicted against a curved sunburst design, while Kraft's bear has a comparably curved back.

Upon visual inspection, the wrapped bars convey the same overall appearance. Each party produces versions of its bar which are differently colored and, therefore, less similar. Nevertheless, all versions of each party's ice cream bar are contained in wrappers which are the same size and shape, use block lettering and script and feature a silver background and a polar bear.

The third factor to be considered is the similarity of the products; and, in this instance the products are identical. They are both five ounce, stickless, chocolate covered ice cream bars. In 1980 when Kraft introduced its bar, both parties offered only plain or textured chocolate coating. Isaly introduced evidence that Kraft went to the same supplier of chocolate used by Isaly to achieve the same taste and quality in chocolate coating on the Polar B'ar. The products are also similar in price, retailing at approximately \$2.50 per six pack; and both are put to the same use by the consumer, i.e. eaten as snacks or dessert.

The similarity of trade channels, purchasers, and means of advertising is the fourth factor to be considered.

Dissimilarities between the retail outlets for and the predominant consumer of plaintiff's and defendant's products lessen the possibility of confusion, mistake or deception. *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 262 (5th Cir.1980).

Both products are sold in supermarkets and convenience stores in the freezer section. Both bars are primarily sold in

six packs in the grocery stores and are sold individually in convenience stores. The competing products are often displayed side by side in the store freezer. Both bars are bought by the same class of purchasers and are advertised primarily on television and in the newspaper. With respect to television advertising, each party has featured a polar bear in its commercials. Kraft's television commercial, like Isaly's prospector commercial, used the device of a full-frame image of a bear punctuated by the bear's roar, transitioning to the package with its images of the bear. Kraft's newspaper advertisements, like Isaly's, featured coupons located at the bottom, with a prominent picture of a bar with a bite missing in the center of the advertisement.

An additional factor to consider is the Defendant's intent to deceive buyers.

The Fifth Circuit has stated that "[i]f . . . a plaintiff can show that a defendant adopted a mark with the intent of deriving benefit from the reputation of the plaintiff, that fact alone "may be sufficient to justify the inference that there is confusing similarity." ' *Exxon Corp. v. Texas Motor Exchange, supra* at 506; Restatement of Torts § 829 Comment f (1938); *Amstar Corp. v. Domino's Pizza, Inc., supra*.

As the exclusive distributor of the Klondike bar in Florida, Kraft was in a position to acquire unique knowledge of the Klondike bar and was well aware of the bar's public appeal. Evidence was introduced that Kraft's representatives and Polar B'ar label designers considered the Klondike bar to be the "gold standard" in terms of ingredients and packaging; and as previously noted, Kraft went to the same chocolate supplier used by Isaly to acquire the same quality and taste in the chocolate coating of the Polar B'ar.

The final factor for the Court to consider is the existence, or absence, of actual confusion. However, positive evidence of actual confusion, although persuasive is not necessary to a finding of a likelihood of confusion. The Plaintiff presented



four consumers who asserted they had been confused while making purchases in the market place. Each of the witnesses had notified Isaly of his or her confusion by letter or telephone. The Plaintiff also presented evidence of a survey conducted by Dr. Marguerite L. Rittenhouse.

Dr. Rittenhouse conducted one in-store test at a New Jersey supermarket. Consumers entering the store were given a coupon by an associate of Rittenhouse. The black and white coupon featured a picture of the Klondike six pack and the phrase "Save \$1.50 when you purchase a 6-pack Klondike Vanilla Ice Cream Chocolate Covered." Rittenhouse stationed herself near the freezer where both Klondike and Polar B'ars were displayed. The test was based upon 109 "unguided" purchases. If a consumer appeared confused Rittenhouse would approach and inquire whether the person intended to redeem the Klondike coupon. Rittenhouse concluded that 13.8% of the shoppers were actually confused by the Polar B'ar; 1.8% appeared confused, but the confusion could not be confirmed; 5.5% were confused, but a purchase was not immediately intended; and 9.2% were potentially confused. In total, Rittenhouse determined that between 13.8% and 30.3% of the shoppers she observed evidenced some degree of confusion.<sup>4</sup>

Kraft introduced a survey by Dr. Robert C. Sorenson to controvert Rittenhouse's test. Sorenson organized a consumer survey which took place in the consumer's home. The survey was conducted in Tampa, Philadelphia and Cleveland of persons 21 years of age or older who had previously purchased or consumed ice cream in the preceding 12 months. 685 interviews were completed. Sorenson concluded that 56.6% of those surveyed, when asked the name of the company making the Polar B'ar, identified Sealtest and/or

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<sup>4</sup>Due to procedural and methodological errors the integrity of the Rittenhouse survey is questionable. Nevertheless, the weaknesses of the survey go to its weight rather than its admissibility. Accordingly, the Defendant's motion to strike the testimony and survey of Dr. Rittenhouse is DENIED.

Kraft. 66.7% of previous purchasers of Klondike surveyed identified Sealtest as the maker of Polar B'ar. No one stated that they believed that Klondike and Polar B'ar were made by the same company. Nevertheless, the survey did reveal some degree of actual confusion. Sorenson concluded that 1.6% of all purchasers are confused as to the source of the Polar B'ar.

The integrity of the Sorenson survey is also reduced by various procedural and methodological errors. Significantly, the respondents were never shown the Klondike bar while Kraft's Polar B'ar was displayed before the consumer thereby permitting the interviewee to read the label.

In light of the weaknesses affecting each of the surveys, the Court gives neither any controlling weight on the issue of actual confusion.

[14] In summary, the Court has found that Isaly's trade dress is relatively strong; that the labels of Isaly and Kraft are similar in design; that both parties offer identical products in the same retail outlets to the same purchasers for the same use; that they both advertise on television and in newspapers; that Kraft intended to emulate if not infringe; and that there is some indication of actual confusion. Weighing these factors together, the Court concludes they establish a likelihood of confusion.

[15] The Plaintiff has therefore established the requisite elements to support its claim of trade dress infringement. The Klondike's pebbled foil wrapper featuring a combination of colors, images and lettering is inherently distinctive and has acquired secondary meaning. The features of the wrapper taken as a whole are primarily nonfunctional, and Kraft's Polar B'ar wrapper is confusingly similar. Absent any justification for the Defendant's infringement of Isaly's trade dress by way of some affirmative defense, Isaly's Klondike bar wrapper is entitled to protection under the Lanham Act.



## TRADEMARK INFRINGEMENT

Count II of Isaly's complaint asserts the claim of trademark infringement pursuant to Section 32(a) of the Lanham Act, 15 U.S.C. § 1114(a). A defendant is liable for infringement if, without the consent of the registrant, it uses "in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark (which) is likely to cause confusion or to cause mistake, or to deceive." *Id.*

[16] To recover under Section 32(a), Isaly must have a validly registered trademark. However, the critical question is whether there is likelihood of confusion, mistake, or deception between Isaly's registered marks and the allegedly infringing design or mark of Kraft. *John H. Harland Co., supra*, 711 F.2d at 972. Isaly claims infringement of its federal registrations for "Isaly's Klondike" and the design appearing on the individual wrappers (Registration No. 1,203,776) and "Klondikes" and the design appearing on the sides of its six pack trays (Registration No. 1,169,497).

On September 15, 1981 Registration No. 1,169,497 was issued to Isaly based upon a date of first use in 1963, for a trademark consisting of a package design featuring the colors silver, blue and white as applied to a "chocolate covered ice cream slice." On August 3, 1983 Registration No. 1,203,776 was issued to Isaly based upon a date of first use in 1959, for a trademark consisting of a label design featuring the colors silver, blue and white as applied to a "chocolate covered ice cream slice."

During the pendency of this case, on October 28, 1982, Kraft applied for federal trademark registration of its wrapper design, consisting of the previously registered SEALTEST logo, the previously registered POLAR B'AR trademark, and the design representation of a polar bear.

The application, Serial No. 401,019, POLAR B'AR and label design was accepted for publication by the Patent and Trademark Office.

[17] Isaly has a proprietary interest in two registered trademarks. Assuming that the marks are validly registered, then, for the reasons previously stated in support of the Court's determination that there is a likelihood of confusion between the foil wrappers of the parties, the Court now concludes that the design of the Polar B'ar wrapper, presently a registered trademark, is confusingly similar to the Klondike bar designs registered to Isaly. The factors relevant to determining whether there is a likelihood of confusion between the trade dress of two products are essentially the same as those relevant to determining whether there is a likelihood of confusion between the parties' trademarks. *John H. Harland Co., supra*, at 981. In the absence of affirmative defenses to justify the Defendant's infringement, the Plaintiff is also entitled to prevail on its claim for trademark infringement.

### AFFIRMATIVE DEFENSES

Kraft has asserted the affirmative defenses of laches, acquiescence, fraudulent obtainment of trademark registrations, unclean hands and trademark and trade dress misuse.

#### A. Laches

[18, 19] Kraft contends that Isaly should be denied any relief because of laches. To establish laches the Defendant must demonstrate a delay in asserting a right or claim; that the delay was not excusable; and that the delay caused the Defendant undue prejudice. *Environmental Defense Fund v. Alexander*, 614 F.2d 474 (5th Cir.1980). However, the test for determining laches is flexible, and the doctrine is applied in two classes of cases: one in which the plaintiff's delay has been so outrageous, unreasonable, or unexcusable as to constitute virtual abandonment; and a second more common class of cases in which the delay is not so unreasonable and the defendant must show the type of prejudice leading to estoppel. *Conagra*, 743 F.2d at 1517 n. 15, *supra*, citing *Univ. of Pittsburg v. Champion Products, Inc.*, 686 F.2d 1040, 1044-45 (3d Cir.1982).

An additional factor the Court must consider is the public interest in the Plaintiff's trade dress or mark as a definite designation of a single source. Thus, even though a defendant may suffer some prejudice, the public interest in avoiding confusion may outweigh the prejudice. *Conagra, supra*, at 1517, citing *James Burroughs, Ltd., v. Sign of The Beefeater, Inc.*, 572 F.2d 574, 578 (7th Cir.1978).

[20] The Plaintiff became aware of the Defendant's infringing trade dress in 1980 when the Polar B'ar was introduced. In May 1982, less than two years later, the Plaintiff filed this action. It is noteworthy that the parties maintained their distribution arrangement until April 1982. For reasons of economy, satisfaction with Kraft's distribution and good will the Plaintiff delayed filing suit. Permitting less than two years to go by before filing suit is not an unreasonable delay; and based upon legitimate reasons any delay that did occur is excusable.

The Defendant asserts it was prejudiced by Isaly's delay. Kraft states that it expended millions of dollars in advertising promotion and plant equipment. However, such an expenditure is comensurate with that of any major manufacturer introducing a new product; and, there is no proof that the Defendant made the expenditure in reliance on the Plaintiff's reluctance to sue nor has Kraft established that it would not have made the same expenditures if it had been sued immediately. Finally, in light of the Courts determination concerning likelihood of public confusion, any prejudice suffered by the Defendant is outweighed by public interest in avoiding confusion.

### B. Acquiescence

[21] Acquiescence has been described as analogous to an implied license to use a trade dress or mark terminable at the will of the licensor. *Conagra, supra*, at 1516. There is simply no evidence to support Kraft's assertion that Isaly's knowledge and silence amounted to a consent for Kraft to use the Klondike bar trade dress or trademark. Furthermore, assum-

ing such consent, any implied right was terminated upon the filing of this action.

### C. Fraud and Unclean Hands

In support of its affirmative defenses of fraudulent obtainment of trademark registrations and unclean hands, the Defendant asserts that in obtaining its trademark registrations, 1,169,497 and 1,203,776, Isaly misrepresented the dates of first use. The first use dates are 1963 and 1959, respectively. Kraft asserts that the correct date of first use for both registrations is May 1978.

[22, 23] To establish fraud, Kraft must prove that Isaly made a false, material statement of fact which would have constituted grounds for denial of the registrations had the truth been known. *Citibank, N.A. v. Citibanc Group, Inc.*, 724 F.2d 1540, 1544 (11th Cir.1984). In a deposition taken by the Defendant, H. William Isaly, Isaly's Vice President, stated that the registered design on the wrapper (1,203,776) had been first used in the precise manner featured on the registration form in 1978. Isaly explains that Mr. Isaly's earlier selection of 1959 as the first date on the registration form for the Klondike wrapper reflected his interpretation of the term "first use" as referring to the date Isaly first began to use, as individual elements, the polar bear, the sunburst, KLONDIKE in block letters, and "Isaly" in script; and it is clear that those symbols have been featured on the Klondike bar wrapper since 1959 and on the six pack tray since 1963. Moreover, even assuming the dates given were incorrect, Kraft has failed to demonstrate that this would constitute grounds for denial of the registrations. The Defendant's defenses of unclean hands and fraud are without merit.

### D.. Misuse of Trademark and Trade Dress

[24] Kraft bases its assertion of misuse on the premise that Isaly initiated this action to suppress competition by the Defendant. Specifically, Kraft contends that Isaly misused its trade dress and trademark in violation of the antitrust laws by attempting to monopolize the five ounce ice cream

bar market. The defense is without merit. Kraft has made no showing that Plaintiff filed the suit as an attempt to monopolize the relevant market.

In sum, Kraft's affirmative defenses are without merit. The Defendant's counterclaim for cancellation of Isaly's trademark registration based on fraud, unclean hands and misuse is DENIED.

### REMAINING CLAIMS

Remaining for consideration are Isaly's claims of unfair competition and dilution under Florida law. In addition, the Court must address Isaly's request for cancellation of Kraft's Polar B'ar trademark registration, 254,111, on grounds of abandonment.

As a general rule the same facts supporting an action for trademark and trade dress infringement would also support actions for unfair competition and dilution. The standards governing the state law claims are similar, if not identical, to those under the Lanham Act. *Conagra, supra*. Because of the similarity between Isaly's claims under the Act and its state common law and statutory claims (see *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160 (11th Cir.1982); *Amstar, supra*); and because the Court has determined that Isaly is entitled to prevail on its Lanham Act claims, the Court need not address the state law claims separately.

[25, 26] Finally, Isaly's request for cancellation of the Polar B'ar trademark is due to be denied. Strict proof is required to establish abandonment. *Citibank, supra*, at 1545. Isaly must demonstrate that Kraft actually abandoned the use of the mark and, also, intended to abandon the mark. Kraft concedes that the Polar B'ar mark was not used from 1932, when Southern discontinued its use, until 1980. Accordingly, non-use for two consecutive years is prima facie abandonment. 15 U.S.C. § 1127. However, after assignment of the right to the mark, Kraft has continuously renewed the federal registration. Nonuse by Southern and later Kraft,

may indicate actual abandonment but there is no evidence that Kraft intended to abandon the mark since the time it was acquired. Moreover, Kraft's continual renewal of the registration raises the inference that Kraft intended to eventually resume use of the mark.

### JUDGMENT

Upon due consideration it is ORDERED and ADJUDGED.

#### A. Injunctive and Other Relief

1. Isaly's claim in Count I for trade dress infringement under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), is GRANTED with respect to Isaly's Klondike bar wrapper and label. In all other respects the claim is DENIED.

2. Isaly's claim in Count II for trademark infringement under Section 32(a) of the Lanham Act, 15 U.S.C. § 1114(a), of Trademark Registrations Nos. 1,203,776 and 1,169,497 is GRANTED.

3. Kraft's counterclaim for cancellation of Isaly's Trademark Registrations Nos. 1,203,776 and 1,169,497 is DENIED.

4. Isaly's claim for cancellation of Kraft's Trademark Registration No. 254,111 is DENIED.

5. Isaly is entitled to, and is hereby GRANTED, effective 180 days from the date of this judgment, an injunction enjoining Kraft, its agents, employees, attorneys, and all persons in active concert and participation with them, from the unauthorized use or employment in connection with the manufacturing, selling, distributing, offering for sale, advertising, promoting, displaying, soliciting and filling orders for or otherwise marketing a five ounce chocolate covered ice cream bar bearing a label, or contained in a tray bearing a label, which features a picture, drawing or other representation of a polar bear. 15 U.S.C. § 1116.

6. Isaly is entitled to, and is hereby GRANTED, effective 180 days from the date of this Order, an injunction enjoining



Kraft, its agents, employees, attorneys, and all persons in active concert and participation with them, from the unauthorized use or employment in connection with the manufacturing, selling, distributing, offering for sale, advertising, promoting, displaying, soliciting and filling orders for or otherwise marketing a five ounce chocolate covered ice cream bar in pebbled foil wrappers bearing a label featuring the color royal blue. 15 U.S.C. § 1116.

7. Islay is entitled to the delivering-up to it for destruction of all infringing wrappers and trays. Kraft is directed to deliver-up to Isaly within 120 days all wrappers and trays in its possession or control bearing any infringing design label. 15 U.S.C. § 1118.

### B. Damages

[27] The Lanham Act provides for recovery by a successful plaintiff of "(1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." 15 U.S.C. § 1117. This recovery is cumulative, that is, the Court may award Isaly both its damages and defendant's profits. *Maltina Corp. v. Cawy Bottling Co., Inc.*, 613 F.2d 582 (5th Cir.1980); *CPC Intern. v. Albury Sales Co., Inc.*, 504 F.Supp. 549 (S.D.Fla.1980). There are, however, different standards for the awarding of each.

[28] Accounting for profits is an equitable remedy. The Plaintiff need not demonstrate any actual damages in order to obtain an accounting for profits. *Playboy Enterprises, Inc., v. P.K. Sorren Export Co.*, 546 F.Supp. 987 (S.D.Fla.1982) citing *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 161 n. 15 (1st Cir.1977).

[29, 30] In order to recover damages (apart from Defendant's profits), a Plaintiff must show that it suffered actual damages. *Maltina Corp., supra*. The Plaintiff must prove lost sales and that the loss was caused by Defendant's actions. *Obear-Nester Glass Co. v. United Drug Co.*, 149 F.2d 671, 674 (8th Cir.1945), cert. denied, 326 U.S. 761, 66 S.Ct. 141. The Court may award plaintiff up to three times the amount of

profits made by the defendant, as justice shall require. 15 U.S.C. § 1117; *Deering Milliken & Co. v. Gilbert*, 269 F.2d 191 (2d Cir.1959). Such an award is discretionary and may be based on a finding of willfulness. *Boston Professional Hockey Ass'n. Inc. v. Dallas Cap and Emblem Mfg., Inc.*, 597 F.2d 71 (5th Cir.1979). It may not be punitive, however, and must be based on an actual showing of harm. *Donsco, Inc. v. Casper Corp.*, 587 F.2d 602 (3d Cir.1978). *Caesar's World, Inc. v. Venus Lounge, Inc.*, 520 F.2d 269, 273 (3d Cir.1975).

The parties previously stipulated, with the approval of the Court (see Pretrial Order entered January 31, 1984, Doc. No. 152), that the trial would be bifurcated and the issue of Plaintiff's damages, if any, would be reserved for subsequent proceedings.

Accordingly, the Clerk is directed to reschedule the matter for trial as to all issues relating to Plaintiff's claim for damages, establishing a date for the completion of such additional discovery as the parties may wish to pursue, and a pre-trial conference.

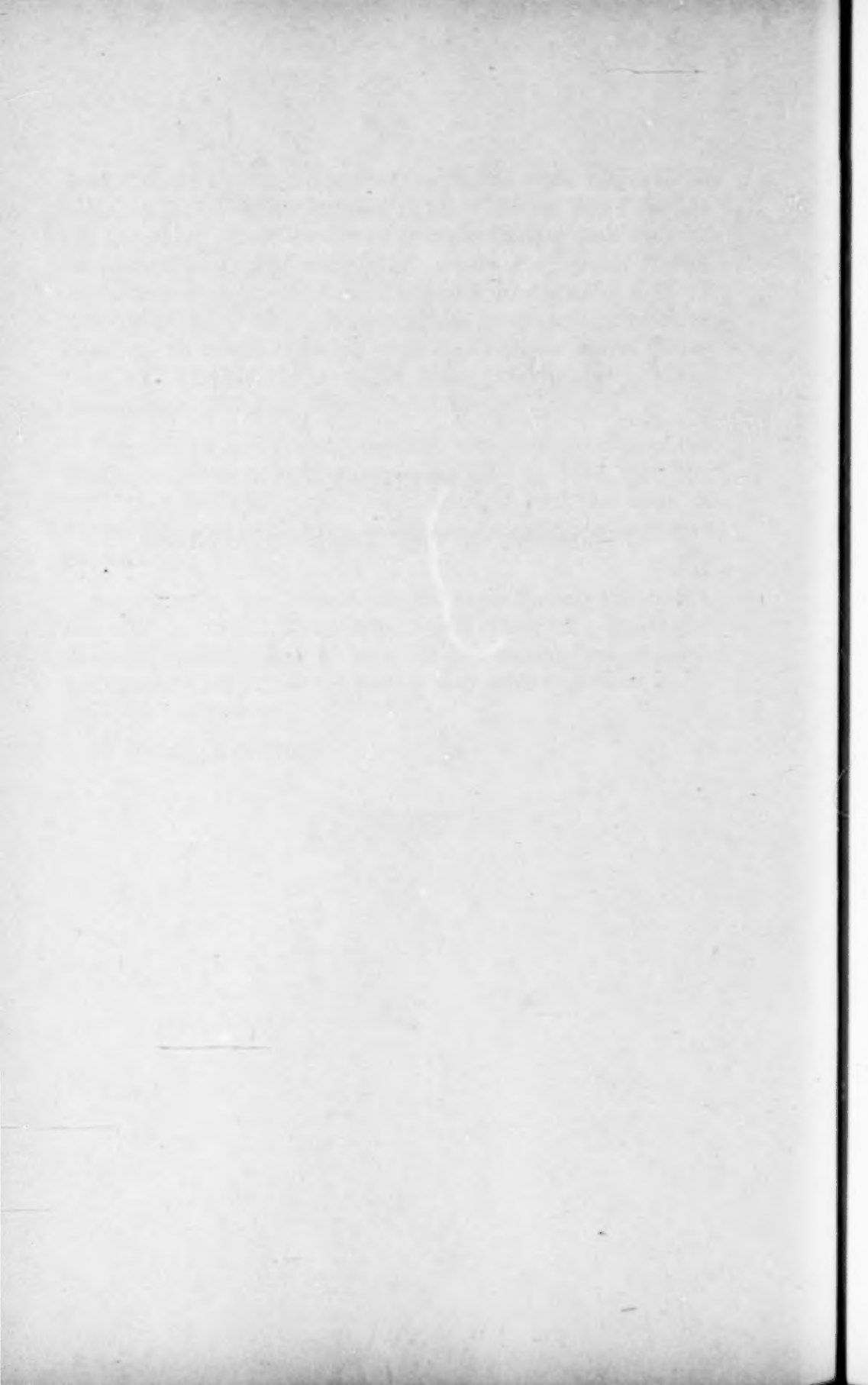
IT IS SO ORDERED.



## **APPENDIX C**

### **JUDGMENT OF THE COURT OF APPEALS**

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# United States Court of Appeals

FOR THE ELEVENTH CIRCUIT

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No. 85-3609

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D.C. Docket No. 82-517-10

AmBRIT, INC., f/k/a  
THE ISALY COMPANY, INC.,

*Plaintiff-Appellee,  
Cross Appellant,*

*versus*

KRAFT, INC.,

*Defendant-Appellant,  
Cross Appellee.*

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APPEALS FROM THE UNITED STATES DISTRICT COURT  
FOR THE  
MIDDLE DISTRICT OF FLORIDA

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Before CLARK, Circuit Judge, HENDERSON\*, and  
WISDOM\*\*, Senior Circuit Judges.

## JUDGMENT

These causes came on to be heard on the transcript of the record from the United States District Court for the Middle District of Florida, and were argued by counsel;

---

\* See Rule 3(b), Rules of the U. S. Court of Appeals for the Eleventh Circuit.

\*\* Honorable John Minor Wisdom, Senior U. S. Circuit Judge for the Fifth Circuit, sitting by designation.

ON CONSIDERATION WHEREOF, it is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be and the same is hereby, **AFFIRMED** in part, **REVERSED** in part; and that this cause be and the same is hereby **REMANDED** to said District Court for further proceedings in accordance with the opinion of this Court;

It is further ordered that defendant-appellant pay to plaintiff-appellee, the costs on appeal to be taxed by the Clerk of this Court.

Entered: December 10, 1986  
For The Court: Miguel J. Cortez, Clerk

By: DAVID MALARD  
*Deputy Clerk*

ISSUED AS MANDATE: JAN 08 1987





No. 86-1443

Supreme Court, U.S.  
**FILED**

**APR 14 1987**

JOSEPH F. SPANIOL, JR.  
CLERK

IN THE  
**Supreme Court of the United States**  
October Term, 1986

KRAFT, INC.,

*Petitioner,*

*v.*

AmBRIT INC.,  
(f/k/a The Isaly Company, Incorporated)

*Respondent.*

On Petition for a Writ of Certiorari to the United States  
Court of Appeals for the Eleventh Circuit

**BRIEF FOR RESPONDENT IN OPPOSITION**

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### **Questions Presented**

(1) Is there such a thing as "dilution" of the undisputedly correct legal test for likelihood of confusion in a trademark case, or is this construct an attempt to gain review of factual findings under the guise of legal error?

(2) Can the Eleventh Circuit's holding that Kraft abandoned its POLAR B'AR trademark registration, based upon Kraft's failure to make any commercial use of the mark for forty-eight (48) years and its failure to offer a single fact evidencing intent to resume commercial use, give rise to a question fitting for review by this Court?

## Statement Pursuant to Rule 28.1

Parent companies, non-wholly owned subsidiaries and affiliates of AmBrit Inc. are:

A.B.A. Costa Rica Inc.  
 A.B.A. Electromechanical Systems, Inc.  
 A.B.A. Industries, Inc.  
 AmBrit Development Corp.  
 AmBrit Inc. (including its Isaly division)  
 AmBrit International (US) Inc.  
 AmBrit International PLC  
 Brint (Ohio) Inc.  
 Clabir Corporation  
 Clabir Corporation (California)  
 Clabir Corporation Foundation  
 Clabir Europe Ltd.  
 Clabir Food Operations  
 Clabir Holdings Corporation  
 Clabir International Corporation  
 Clabir International (UK) Limited  
 Clabir International Realty N.V.  
 Everton Engineering Limited  
 GD International Ltd.  
 General Defense Corporation  
 General Defense DISC Corporation  
 General Defense International Ltd.  
 Granite Financial Corporation  
 Granite Financial Corporation of New York  
 Granite Financial Securities  
 Granite Home Loans, Ltd.  
 Hamilton Technology, Inc.  
 Hanover Klondike Company, Inc.  
 HMW Industries, Inc.  
 Klondike (Pacific) Corporation  
 Klondike (Southeast) Corporation  
 Orion Energy Corporation

Orion Energy of Kansas, Inc.  
 Orion Resources Inc.  
 Polytronic ABA, Inc.  
 Sheraton Commercial Properties, Inc.  
 Steaua Romana (Ohio) Inc.  
 Steaua Romana (Securities) Limited  
 Steaua Romana (US) Inc.  
 The Isaly Company  
 Wharton Engineers (Elstree) Limited





## TABLE OF CONTENTS

---

	PAGE
Questions Presented .....	I
Statement Pursuant to Rule 28.1 .....	II
Table of Contents .....	V
Table of Authorities .....	VI
Counter-Statement of the Case .....	2
Summary of the Argument .....	3
Reasons for Denial of the Petition .....	4
I. The Courts Below Applied the Undisputedly Correct Legal Test for Likelihood of Confusion in a Trademark Case .....	4
A. Kraft's Attack on the Finding of Intent to Infringe Is Based Upon a Clipped Ex- cerpt from Dictum in the Eleventh Circuit Opinion .....	4
B. The Eleventh Circuit Properly Found Sim- ilarity in Design Between AmBrit's Trade Dress and Kraft's .....	5
C. Ample Evidence of Actual Confusion Was Presented Below .....	8
II. Kraft's Abandoned POLAR B'AR Trademark Registration Which Was Cancelled for Forty- Eight (48) Years' Nonuse, Deserves No Atten- tion from This Court .....	10
A. The Applicable Test for Nonuse Is Clear, and Was Clearly Not Met By Kraft .....	10
Conclusion .....	12

## TABLE OF AUTHORITIES

	PAGE
<b>Cases:</b>	
Beech-Nut Packing Co. v. P. Lorillard Co., 273 U.S. 629, 632 (1927) .....	10
Blanchard Importing & Distributing Co., Inc. v. Blanchard et Fils, 169 U.S.P.Q. 615, 618 (T.T.A.B. 1971) .....	11
Compeco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 238 (1964) .....	8
Exxon Corp. v. Humble Exploration Co., Inc., 695 F.2d 96, 102 (5th Cir. 1983) .....	11
Exxon Corp. v. Humble Exploration Co., Inc., 592 F. Supp. 1226, 1229 (N.D. Tex. 1984) .....	11
Fisher Stoves, Inc. v. All Nighter Stove Works, Inc., 626, F.2d 193, 195 (1st Cir. 1980) .....	6
Ford Motor Co. v. B & H Supply Inc., 646 F.Supp. 975, 995-96 (D. Minn. 1986) .....	7
LeSportsac, Inc. v. K Mart Corp., 754 F.2d 71, 76 (2d Cir. 1985) .....	7
Lipton Industries, Inc. v. Ralston Purina Co., 670 F.2d 1024, 1029-30 (C.C.P.A. 1982) .....	11
Litton Systems, Inc. v. Whirlpool Corp., 728 F.2d 1423 (Fed. Cir. 1984) .....	8
McGraw-Edison Co. v. Walt Disney Productions, 787 F.2d 1163, 1172-73 (7th Cir. 1986) .....	9
Menendez v. Farber, Coe & Gregg, Inc., 345 F.Supp. 527 (S.D.N.Y. 1972), <i>modified</i> , 485 F.2d 1355 (2d Cir. 1973), <i>rev'd on other grounds</i> , 425 U.S. 682 (1976) .....	10
Perfect Fit Industries, Inc. v. Acme Quilting Co., Inc., 618 F.2d 950, 955 (2d Cir. 1980), <i>cert. denied</i> , 459 U.S. 832 (1982) .....	7

	PAGE
Questor Corp. v. Wold Industries, Inc., 194 U.S.P.Q. 141, 145 (D. Minn. 1976) .....	11
Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 232 (1964) .....	8
SK&F, Co. v. Premo Pharmaceutical Laboratories, Inc., 625 F.2d 1055, 1065-66 (3d Cir. 1980) .....	8
Sterling Brewers, Inc. v. Schenley Industries, Inc., 441 F.2d 675 (C.C.P.A. 1971) .....	10
Textron, Inc. v. U.S. Int'l Trade Commission, 753 F.2d 1019, 1026 (Fed. Cir. 1985) .....	8
Vitek Systems, Inc. v. Abbott Laboratories, 675 F.2d 190, 192 (8th Cir. 1982) .....	7
 <b>Statutes, Rules, Regulations:</b>	
15 U.S.C. § 1125(a) .....	1, 8
15 U.S.C. § 1127 .....	10
 <b>Miscellaneous:</b>	
Hearings on H.R. 82 Before a Subcomm. of the Senate Comm. on Patents, 78th Cong., 2d Sess. 24 (1944), <i>reprinted in</i> 4 Gilson, Trademark Protection and Practice § 45 at 45-30 (1986) .....	10



IN THE  
**Supreme Court of the United States**  
October Term, 1986

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KRAFT, INC.,

*Petitioner,*

*v.*

AMBRIT INC.,  
(f/k/a The Isaly Company, Incorporated)

*Respondent.*

---

On Petition for a Writ of Certiorari to the United States  
Court of Appeals for the Eleventh Circuit

---

**BRIEF FOR RESPONDENT IN OPPOSITION**

Kraft's petition for a writ of certiorari raises no genuine issue meriting this Court's attention. The lower courts properly applied well-established principles of law to the facts found at trial, to conclude that Kraft infringed Am-Brit's registered trademark rights as well as its proprietary trade dress rights under § 43(a) of the Lanham Act (15 U.S.C. § 1125(a)).<sup>1</sup> There is no conflict among the cases,\* let alone among the circuits, to warrant review.

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1. Photographs of the parties' trade dress packaging have been lodged with the Court on April 10, 1987. The same photographs appear as Exhibit C in AmBrit's appeal brief to the Eleventh Circuit.

\* Not a single case cited by petitioner in its brief supports any of Kraft's grounds for granting review by this Court.

### Counter-Statement of the Case

Kraft's selective presentation of the facts distorts the truth. In a type of case that turns on the consumer's visual impression of the two packages, Kraft's brief is remarkable for its omission of photographs of the respective packages. Such photographs have now been lodged with the Court. *Supra* at footnote 1.

An unbiased statement of the case is found in the Eleventh Circuit's opinion (as reproduced in the Kraft Appendix A-5 to A-9). Kraft omits the very facts that illuminate this case: that it introduced AmBrit's product into the Florida market as AmBrit's distributor; viewed the product as a unique success; failed in its efforts to buy AmBrit; and hence copied for its own product not only the functional aspects but the purely nonfunctional trade dress features of AmBrit's packaging, including AmBrit's polar bear emblems, admittedly for the express purpose of connoting to consumers the same kind *and high quality* of product as AmBrit's.

This was not a "close case", as represented by Kraft (Kraft Petition, p. 16). The Eleventh Circuit concluded:

A review of the likelihood of confusion factors reveals the following: Isaly's trade dress merits only moderate protection, the design of the trade dress of both parties is somewhat similar, the products are identical, the retail channels and purchasers are identical, the advertising media is identical, Kraft's actions provide the basis for a finding of intent to benefit from Isaly's goodwill, and there is some evidence of actual confusion. Although some fact finders might not have

necessarily found a likelihood of confusion, we are *compelled to hold* that the district court's finding is *not clearly erroneous*. (Kraft Appendix A-31) (emphasis added and footnote omitted).

The Eleventh Circuit's mandate issued on January 8, 1987.

### Summary of the Argument

Kraft faults the opinion below on two grounds: alleged "dilution" of the likelihood of confusion test and "forfeiture" of Kraft's POLAR B'AR trademark registration.

Kraft urges that the District Court's factual findings, as affirmed by the appellate court, "diluted" the undisputedly correctly-stated legal test for infringement. Kraft's "dilution" theory improperly seeks review of *factual* findings adverse to Kraft, under the guise of a mistake of law. Kraft's argument that concern for the rights of all competitors to use functional packaging features warrants review seeks an advisory opinion, for both lower courts carefully framed their decree to avoid restricting use of functional features.

Kraft's "forfeiture" theory also deserves short shrift. This Court need show no concern for Kraft's POLAR B'AR trademark registration, which had not seen *any* use whatsoever for forty-eight (48) years; it was only exhumed in 1980 because POLAR B'AR connoted "polar bear", the featured symbol on AmBrit's trade dress. Kraft Appendix A-25, A-27 n.58, A-42).



## REASONS FOR DENIAL OF THE PETITION

### I. The Courts Below Applied the Undisputedly Correct Legal Test for Likelihood of Confusion in a Trademark Case.

Kraft's petition in this respect is a thinly-disguised attempt to seek review of the district court's factual findings, under the false banner of "dilution" of the legal standard for trademark infringement. On appeal below, Kraft was less circumspect, as noted in the opinion of the Eleventh Circuit:

Kraft's first contention on appeal is that the district court erred in finding Kraft guilty of trade dress infringement. *Kraft does not contend that the district court applied the wrong test in making this finding, but rather argues that the district court misapplied the proper test.* (Kraft Appendix A-9) (emphasis added).

#### A. Kraft's Attack on the Finding of Intent to Infringe Is Based Upon a Clipped Excerpt from Dictum in the Eleventh Circuit Opinion.

Kraft contends (Kraft Petition, p. 9) that the court below "diluted" the legal standard of "intent to infringe" by finding such intent based on Kraft's copying of the *functional* features of Ambrit's packaging. The Eleventh Circuit actually stated:

There is no question that Kraft's argument finds support in the evidence—as does Isaly's—but even were we to accept Kraft's position, the district court's finding of intent on the part of Kraft to benefit from Isaly's goodwill would be proper. There is nothing unusual about a finding of intent based on circumstantial

evidence. Although Kraft was free to copy the Klondike product and the functional packaging features of that product, the finder of fact may infer from evidence of such actions an intent to derive benefit from Isaly's goodwill. *Such a finding is especially fitting when, as here, a review of Kraft's nonfunctional trade dress and that of the plaintiff reveals substantial similarities.* Therefore, irrespective of which version of the facts is to be believed, the record supports the district court's finding that Kraft intended to benefit from the goodwill Isaly has built for itself. (Kraft Appendix A-27 to A-28 (emphasis added and footnotes omitted)).

Hence, in this case the holding of intent to infringe was justified by Kraft's substantial copying of *nonfunctional* features of AmBrit's trade dress.<sup>2</sup> Kraft's petition improperly seeks an advisory ruling upon an issue not presented by the record below, except in dictum.

**B. The Eleventh Circuit Properly Found Similarity in Design Between AmBrit's Trade Dress and Kraft's.**

The same copying of nonfunctional features which led to a finding that Kraft intended to infringe supports the finding that similarity in design between the parties trade dresses was not due merely to protected copying of functional features. Kraft's present argument is surprising, since it raised no such contention on appeal, as the Eleventh Circuit noted:

That individual elements of packaging are functional does not, however, render the package as a whole unprotectible. *The district court found that "the Klondike foil wrapper, with its graphics, is primarily non-*

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2. The record below presents no issue of Kraft's right to copy functional features of AmBrit's dress; such copying was specifically allowed by the courts below. See Kraft Appendix A-16.

*functional''*. Kraft does not seriously dispute this finding, and indeed any such challenge would be misplaced. The actual wrapper may be functional, but its appearance is not. That the wrapper is primarily non-functional does not mean that Kraft may not use a foil wrapper in connection with the packaging of its five-ounce ice cream novelties. Rather, Kraft is precluded only from using a foil wrapper with an *overall appearance* that is confusingly similar to the wrapper used [by] Isaly. (Kraft Appendix A-16) (emphasis added and footnotes omitted).

Plainly, the finding of similarity of design was based upon a comparison of the packages as a whole, which is the correct legal standard, and indeed, the only comparison that makes logical sense, since that is what the consumer sees in the marketplace. The finding is amply supported by Kraft's copying of the *primarily nonfunctional* appearance of the Klondike trade dress. Again, Kraft seeks a ruling on an issue not presented by the record below; it was not deprived of any right to use functional packaging elements.

Nor is there any conflict among the circuit courts on this point. Kraft misrepresents the existing law of the First, Second and Eighth Circuits by alleging that these courts require a distinction between functional and nonfunctional features in applying the similarity of design factor (Kraft Petition, pp. 12-13).

As authority from the First Circuit Kraft cites *Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*, 626 F.2d 193, 195 (1st Cir. 1980). However, even while rejecting a finding of likelihood of confusion, the *Fisher* court recognized that *the overall impression* of similarity is more important than specific differences revealed by side-by-side compar-

ison. No language in this opinion suggests the application of the functional/nonfunctional features distinction urged by Kraft.

Kraft also misrepresents the law of the Second Circuit. A recent Second Circuit case held that:

by breaking LeSportsac's trade dress into its individual elements and then attacking certain of those elements as functional, K Mart misconceives the scope of the appropriate inquiry.

*LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 76 (2d Cir. 1985). Even a Second Circuit case relied on by Kraft<sup>3</sup> expressly stated that it is the *combination of features as a whole* rather than a difference in some of the details which determines likelihood of confusion.

Strangely, Kraft cites as authority for the Eighth Circuit a *district court* case from Minnesota.<sup>4</sup> In actuality, the Eighth Circuit would likely agree with the Eleventh Circuit on this issue:

The comparison should be made "in light of what occurs in the marketplace," taking into account the "circumstances surrounding the purchase of the goods."

*Vitek Systems, Inc. v. Abbott Laboratories*, 675 F.2d 190, 192 (8th Cir. 1982). The consumer in the marketplace sees

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3. *Perfect Fit Industries, Inc. v. Acme Quilting Co., Inc.*, 618 F.2d 950, 955 (2d Cir. 1980), *cert. denied*, 459 U.S. 832 (1982).

4. *Ford Motor Co. v. B & H Supply Inc.*, 646 F.Supp. 975, 995-96 (D.Minn. 1986). That case did not even involve a dispute as to the functionality of the Ford oval, the Ford Numbering System and Ford's speeding car design, since the parties already stipulated that they were nonfunctional. *Ford*, therefore, does not support Kraft's theory that functional features must be viewed separate from non-functional ones.

the packaging as a whole, without conducting any minute analysis of individual features, be they functional or non-functional. The key consideration is that the *overall appearance* of the trade dress designs not be confusingly similar, so that consumers are not misled.

In addition, a Federal Circuit case more recent than the one cited by Kraft<sup>5</sup> held that whether the configuration of a machine is functional or can receive trademark protection is determined by viewing *the design as a whole*, not its component features individually. *Textron, Inc. v. U.S. Int'l Trade Commission*, 753 F.2d 1019, 1026 (Fed. Cir. 1985).

Ample authority from this Court supports the relief granted below, to prevent consumers of the admittedly non-patented ice cream bars from being *misled as to their source by imitation of AmBrit's distinctive trade dress*. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238 (1964); *see also, SK&F, Co. v. Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055, 1065-66 (3d Cir. 1980) (The *Sears Compco* doctrine does not limit the scope of § 43(a) of the Lanham Act).

**C. Ample Evidence of Actual Confusion Was Presented Below.**

Kraft's attack upon the finding of actual confusion ignores the sound evidentiary basis for the finding, as explained by the Eleventh Circuit:

Moreover, that there were only a few reported instances of actual confusion does not mean that only those in-

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5. *Litton Systems, Inc. v. Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984).

dividuals were actually confused. As the *Chevron Chemical Co.* court stated: "It would be exceedingly difficult to detect instances of actual confusion when, as here, the goods are relatively inexpensive and their actual properties are exactly identical". It is likely that *many consumers who were confused never realized they had been confused and that many of those who did realize they had been confused chose not to spend the time to register a complaint with a faceless corporation about the packaging of an item that retails for approximately \$2.50 per six-pack.* Given these circumstances, four bona fide instances of actual confusion are sufficient to support the district court's finding of actual confusion. Kraft's argument that the four instances of confusion are inconsequential because these consumers were careless misses the point. *Ice cream novelties are an impulse item that consumers purchase without a great deal of care.* There is no indication that the four consumers who reported their confusion to Isaly were anything other than typical consumers following normal buying patterns. (Kraft Appendix A-29 to A-30) (emphasis added and footnotes omitted).

On the particular facts of this case, involving low-price supermarket items on impulse, the finding of likelihood of confusion was properly made by the trier of fact.<sup>6</sup> Kraft's petition improperly urges this Court to reverse a factual finding supported by the record below.

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6. Likelihood of confusion can even be properly found without any evidence of actual confusion. *McGraw-Edison Co. v. Walt Disney Productions*, 787 F.2d 1163, 1172-73 (7th Cir. 1986).



## II. Kraft's Abandoned POLAR B'AR Trademark Registration Which Was Cancelled for Forty-Eight (48) Years' Nonuse, Deserves No Attention from This Court.

### A. The Applicable Test for Nonuse Is Clear, and Was Clearly Not Met By Kraft.

The statute, 15 U.S.C. § 1127, provides that two years' nonuse constitutes prima facie abandonment of a registered trademark. Here, forty-eight (48) years' nonuse was proven (Kraft Appendix A-42). While Kraft complains that the Eleventh Circuit's standard of intent to resume use of a trademark is impossible to meet, *Kraft simply made no effort to prove actual intent to resume use*. Kraft could have presented testimony, e.g., that between 1932 and 1980, it had actual plans to use the POLAR B'AR mark, but such plans were not realized due to war, strikes, raw material shortages, or any of a number of reasons. *See, e.g., Menendez v. Farber, Coe & Gregg, Inc.*, 345 F.Supp. 527 (S.D.N.Y. 1972), *modified*, 485 F.2d 1355 (2d Cir. 1973), *rev'd on other grounds*, 425 U.S. 682 (1976); *Sterling Brewers, Inc. v. Schenley Industries, Inc.*, 441 F.2d 675 (C.C.P.A. 1971).

Kraft's reliance on *Beech-Nut Packing Co. v. P. Lorillard Co.*, 273 U.S. 629, 632 (1927) (Kraft Petition, p. 18), is entirely misplaced, since that decision issued years before the adoption in 1946 of the Lanham Act, which specifically provides that two years' nonuse of a trademark constitutes prima facie abandonment, 15 U.S.C. § 1127.<sup>7</sup> Kraft argues

7. *Hearings on H.R. 82 Before a Subcomm. of the Senate Comm. on Patents*, 78th Cong., 2d Sess. 24 (1944), *reprinted in* 4 Gilson, *Trademark Protection and Practice* § 45 at 45-30 (1986). Nor can

(footnote continued on next page)



that the test applied here improperly excluded evidence of its intent to use in 1980 by virtue of its actual use at that time. But the statutory test is whether Kraft intended *at the time* (here, during its half-century of nonuse) to resume commercial use, not whether it subsequently decided to revive the mark. Kraft was merely placed on a par with anyone else who might have wanted to adopt the same mark in 1980, and was properly denied a premium for having warehoused its federal registration for the previous forty-eight years.

This Court need not fear that Kraft's inability to have adduced evidence proving intent to resume use of its mark, will lead to "widespread cancellation" of trademark registrations (Kraft Petition, p. 19). Few trademark owners could be expected to show so little concern for maintenance of their trademark registrations, as did Kraft between 1932 and 1980. And if they did, there is no sound public policy reason to preserve their rights in unused federal registrations, to the detriment of others who may wish to make *actual* use of the same or similar trademarks. See, e.g., *Exxon Corp. v. Humble Exploration Co., Inc.*, 695 F.2d 96, 102 (5th Cir. 1983); *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1029-30 (C.C.P.A. 1982); *Exxon Corp. v. Humble Exploration Co., Inc.*, 592 F.Supp. 1226, 1229 (N.D. Tex. 1984).

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Kraft derive support from *Questor Corp. v. Wold Industries, Inc.*, 194 U.S.P.Q. 141, 145 (D.Minn. 1976) and *Blanchard Importing & Distributing Co., Inc. v. Societe E. Blanchard et Fils*, 169 U.S.P.Q. 615, 618 (T.T.A.B. 1971) (Kraft Petition, p. 18). *Questor* involved the issue of validity of an *assignment* of the goodwill of the mark without a concurrent transfer of the mark itself, not the issue of abandonment due to nonuse. 194 U.S.P.Q. at 145. In *Blanchard*, there was no evidence that the period of discontinuance of use of the mark was even close to the statutory two year period, so as to raise an issue of statutory abandonment.

### **Conclusion**

Kraft's petition is plainly frivolous. It should be summarily denied.

Respectfully submitted,

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(3)  
No. 86-1443

Supreme Court, U.S.  
FILED

APR 21 1987

JOSEPH F. SPANIOLO, JR.  
CLERK

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1986

KRAFT, INC.,

*Petitioner,*

v.

AmBRIT, INC.,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED  
STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

## REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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## TABLE OF CONTENTS\*

	<u>PAGE</u>
TABLE OF CONTENTS .....	i
TABLE OF AUTHORITIES .....	ii
A. The Use Of <i>Functional</i> Features To Determine The “Similarity Of Design” And “Intent” Fac- tors Conflicts With Established Precedent .....	1
B. AmBrit Does Not Dispute That The Legal Standard Of The “Actual Confusion” Factor Used In The Court Below Conflicts With The Standards Applied In Other Circuits .....	3
C. The Eleventh Circuit Changed The Legal Test For Abandonment And Cancelled The Regis- tration Of A Trademark In Active And Exten- sive Commercial Use Without Remanding To The Lower Court .....	4
<u>CONCLUSION</u> .....	5

\* The parties to this proceeding and Kraft’s non-wholly owned subsidiaries and affiliates are set forth in Kraft’s Petition for Writ of Certiorari at ii.

# TABLE OF AUTHORITIES

## Cases

	<u>PAGE</u>
<i>Clinton Detergent Co. v. Procter &amp; Gamble Co.</i> , 302 F.2d 745 (C.C.P.A. 1962) .....	3
<i>LeSportsac, Inc. v. K Mart Corp.</i> , 754 F.2d 71 (2d Cir. 1985) .....	2
<i>Scott Paper Co. v. Scott's Liquid Gold, Inc.</i> , 589 F.2d 1225 (3d Cir. 1978) .....	3
<i>Textron, Inc. v. USITC</i> , 753 F.2d 1019 (Fed. Cir. 1985) .....	2



No. 86-1443

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STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT**

---

**REPLY BRIEF IN SUPPORT OF  
PETITION FOR WRIT OF CERTIORARI**

---

Kraft's Petition presents three significant legal issues under the Lanham Act on which substantial conflicts exist among the Circuits. AmBrit's effort to obfuscate these legal conflicts, and to mischaracterize them as issues of fact, only serves to underscore the necessity for review by the Supreme Court now.

**A. The Use Of *Functional* Features To Determine The  
"Similarity Of Design" And "Intent" Factors Con-  
flicts With Established Precedent.**

AmBrit recognizes that, depending on which Circuit is involved, lower courts apply two divergent tests for determining "similarity of design." But AmBrit argues that even if the test outside the Eleventh Circuit were applied, AmBrit would still win. (Brief in Opposition at 6.) However, contrary to AmBrit's contention, under the test applied

within the First, Second, and Eighth Circuits, Kraft would prevail because similarity of functional features would be ignored.<sup>1</sup> Here, Kraft did not prevail because the Eleventh Circuit stressed, rather than ignored, the similarity of functional features. Indeed, it based its finding of similarity of functional features.<sup>2</sup> Although the Court of Appeals mentioned similarities in nonfunctional features in passing, it never specified what they were and clearly did not bottom its holding on them. (App. A at 27.)<sup>3</sup>

AmBrit's notion that the Court of Appeals could have based its finding of intent upon the alleged copying of non-functional features is wishful thinking.<sup>4</sup> (Brief in Opposition at 5.) That is not what the Eleventh Circuit did. What it might have done is of no moment.

An undeniable conflict between two divergent tests exists, requiring this Court's review. As things now stand, the outcome of trade dress cases turns on which legal test is

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<sup>1</sup>This argument was not only raised by Kraft below, it was the crux of Kraft's defense. AmBrit's cite in support of its contrary contention is from an unrelated portion of the Eleventh Circuit's opinion. (Brief in Opposition at 5.) As for AmBrit's citations concerning the protectability of trade dress, those address a non-contested issue and are therefore irrelevant. *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 76 (2d Cir. 1985); *Textron, Inc. v. USITC*, 753 F.2d 1019, 1026 (Fed. Cir. 1985).

<sup>2</sup>The functional features focused on by the Eleventh Circuit included the taste of the products (App. A at 7), their size (App. A at 7, 23), and packaging—a six-pack tray with cellophane overwrap. (App. A at 7, 23, n. 48.)

<sup>3</sup>Even the sentence AmBrit italicizes (Brief in Opposition at 5) supports the unmistakable conclusion that the copying of *functional* features alone led to an inference of confusing similarity in the court below.

<sup>4</sup>AmBrit also disingeniously argues that the holding of which Kraft seeks review is dictum. Not so. The basis for the Eleventh Circuit's affirmance was Kraft's copying of functional features. (App. A at 27-28.)

applied. In the Eleventh Circuit, one car maker could be found liable for trade dress infringement because its automobiles have four tires, two headlights, a roof and a windshield, just like those of its competitor. But within the First, Second and Eighth Circuits, such a case would be summarily dismissed. The Supreme Court should settle this conflict and confirm the right of competitors to use functional features.

**B. AmBrit Does Not Dispute That The Legal Standard Of The "Actual Confusion" Factor Used In The Court Below Conflicts With The Standards Applied In Other Circuits.**

AmBrit does not dispute that the Eleventh Circuit's ruling—that four instances of confusion out of 35,000,000 sales is sufficient to support a finding of actual confusion—is contrary to the decisions of the Third, Ninth and Federal Circuits.<sup>5</sup> Neither does AmBrit dispute that the Eleventh Circuit's decision also conflicts with the First Circuit's rule that delays in bringing suit, such as existed here, require a higher threshold of proof of actual confusion.

Instead, AmBrit simply argues that it prefers the Eleventh Circuit's formula for determining actual confusion. But AmBrit's preference is irrelevant, and its argument misses the point. If the same facts here occurred in another circuit, a different test would have been applied and no actual confusion would have been found.

This conflict among the Circuits needs to be resolved. Otherwise, wholesale forum shopping will prevail—with the Eleventh Circuit becoming the choice of plaintiffs with weak

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<sup>5</sup> Nor does the inexpensive nature of the goods change the character of the determination below. Both *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (3d Cir. 1978) and *Clinton Detergent Co. v. Procter & Gamble*, 302 F.2d 745 (C.C.P.A. 1962), forming part of the "total sales" conflict, also involved items that were inexpensive and that consumers could not be expected to examine carefully.

cases. If they can conjure up even the most miniscule “evidence” of actual confusion they can prevail in the Eleventh Circuit, where they could not in the First, Third, or Federal Circuits. Because inadvertent mistakes by a handful of consumers can almost always be shown, the only challenge for a plaintiff is to find a hook to haul defendants into the Eleventh Circuit. Such disparate results will preclude legitimate competition by those unfortunate enough to be subject to jurisdiction of courts in the Southeast.

**C. The Eleventh Circuit Changed The Legal Test For Abandonment And Cancelled The Registration Of A Trademark In Active And Extensive Commercial Use Without Remanding To The Lower Court.**

AmBrit argues that Kraft lost below because “Kraft simply made no effort to prove actual intent to resume use”. (Brief in Opposition at 10.) AmBrit again argues the wrong point. Kraft did present evidence of its intent to resume use of the “POLAR B’AR” trademark—indeed, Kraft persuaded the District Court that it had the requisite intent.<sup>6</sup> However, the Eleventh Circuit changed the legal standard from that applied at trial.<sup>7</sup> Without remanding the case for proof under the new standard, the Eleventh Circuit found that Kraft abandoned its mark under its new legal standard.

The Eleventh Circuit retroactively imposed a requirement, nowhere found in the Lanham Act, that Kraft had to prove intent to resume use *solely* with evidence pre-dating Kraft’s resumption of commercial use of the mark. Then, by failing to remand, the Eleventh Circuit precluded Kraft from meeting this new standard.

The Eleventh Circuit’s decision not only stripped Kraft of a trademark registration it held for over four decades, but

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<sup>6</sup> Kraft presented evidence of its extensive commercial use of the mark since 1980 as well as the uses supporting the renewals of its registration in 1949 and 1969.

<sup>7</sup> The Eleventh Circuit characterized the issue as “a novel question of law.” (App. A at 42.)

effects a judicial repeal of the Lanham Act's two-year abandonment presumption, substituting in its place an automatic forfeiture provision. Because the Eleventh Circuit's new legal standard would work a forfeiture of thousands of extant trademark registrations, this Court should reject the Eleventh Circuit's formulation and set to rest the conflict over the standard for finding abandonment.

### CONCLUSION

AmBrit's Brief in Opposition confirms that a Writ of Certiorari should be issued to review the opinion and judgment of the Court of Appeals of the Eleventh Circuit and resolve the conflicts it creates in application of the Lanham Act.

Respectfully submitted,

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